

January 6, 2026

PRE-SALE REPORT FOR

City of Northfield, Minnesota

**\$12,335,000 General Obligation Water Revenue Bonds,
Series 2026A**



Prepared by:

Ehlers
3001 Broadway Street, Suite 320
Minneapolis, MN 55413

Advisors:

Nick Anhut, Senior Municipal Advisor
Schane Rudlang, Municipal Advisor

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EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

\$12,335,000 General Obligation Water Revenue Bonds, Series 2026A (the “Bonds”)

Purposes:

The proposed issue includes financing to provide funding for various water system infrastructure capital improvement costs, including all estimated costs of issuance. The Bonds’ debt service will be paid from net revenues of the City’s municipal water enterprise fund.

Authority:

The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475. Under Chapter 444, cities can authorize debt without limitation for utility system improvements so long as debt service is expected to be paid from water, sanitary sewer and/or storm sewer revenues.

Term/Call Feature:

The Bonds are being issued for a term of 20 years. Principal on the Bonds will be due on February 1 in the years 2027 through 2046. Interest will be due every six months beginning August 1, 2026.

The Bonds will be offered with the option of full or partial prepayment at the discretion of the City without penalty starting February 1, 2035 or any date thereafter.

Bank Qualification:

Because this issue, as well as other planned tax-exempt issuance later in 2026, is 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.

State Credit Enhancement:

City debt for municipal water, sanitary sewer and storm water facilities are authorized to receive credit enhancement from the State of Minnesota, under which the state would guarantee debt service payments on the Bonds. State credit enhancement confers the credit rating of the State on the Bonds and can enhance both the creditworthiness and marketability of the underlying debt issue, which is expected to result in lower interest cost.

To qualify for the credit enhancement program, the City must submit an application and \$500 fee to the State Public Facilities Authority. Ehlers will coordinate the application on the City’s behalf.

Credit Rating:

The City's current rating by S&P Global Ratings is "AA"/Stable. The City will request an update to the rating for this issue of Bonds. Based on the State's current long-term credit ratings, State credit enhancement would confer a S&P Global Ratings "AAA" or a Moody's "Aa1" rating on the Bonds.

The underwriter of the Bonds may additionally elect to purchase bond insurance. If insurance is purchased, the credit rating of the insurer will also be applied to the Bonds.

Method of Sale/Placement:

We are recommending the Bonds be issued as municipal securities and offered through a competitive underwriting process. The City will solicit competitive underwriting bids to be awarded on the basis of True Interest Cost, which we will compile on your behalf.

An allowance for discount bidding will be included in the terms of sale. The discount is treated as an interest item and provides the underwriter with all or a portion of its compensation in the transaction. If the Bonds are purchased at a price greater than the minimum bid amount (maximum discount), the final borrowing amount may be reduced for any unused allowance.

Premium Pricing:

In some cases, investors in municipal bonds prefer "premium" pricing structures. A premium is achieved when the purchaser pays an amount in excess of the face value of any maturity in return for a higher coupon (the interest rate paid by the issuer). The sum of the net amounts paid in excess of face value for all maturities is considered "reoffering premium." The amount of premium varies, but can often range from 2.00% to 10.00% of the face amount of the issue. This means that a \$12,000,000 offering may receive bids that result in proceeds of \$12,240,000 to \$13,200,000.

Any net premium received may be used to reduce the principal amount of the Bonds, increase the net proceeds for the project, or to fund a portion of the interest due on the Bonds. 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 payments. Ehlers will identify appropriate premium restrictions for the Bonds intended to achieve the County's objectives for this financing, which will be set out in the Notice of Sale and Preliminary Official Statement. For this issue, we have been directed to use any net premium to reduce the size of the issue. The resulting adjustments may slightly increase or decrease the final true interest cost calculation of the issue.

Review of Existing Debt:

We have reviewed all outstanding indebtedness for the City and find that there are no viable refunding opportunities to consider at this time. We will continue to monitor the market and the call dates for the City's outstanding debt to periodically alter the City to any future refunding opportunities as they arise.

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 is already obligated to provide such reports under prior continuing disclosure undertakings for its existing debt, and engages Ehlers as its disseminating agent to prepare and submit required filings.

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 and debt service accounts, 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 certain exceptions. 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.

Investment of Bond Proceeds:

The City can maximize available funding by temporarily investing Bond proceeds until the funds are needed to pay project costs. As a Registered Investment Advisor, Ehlers can assist the City in developing a strategy to invest the borrowed proceeds in compliance with the applicable Tax Compliance Document and Arbitrage Rules, statutory constraints, and the City’s investment policy considerations.

Risk Factors:

Utility Revenue: The City expects to pay debt service with utility funds. Although not anticipated, if utility revenue is ever insufficient to cover the full amount of debt service the City may need to use other legally available funds or levy taxes to provide for the shortfall.

Other Service Providers:

This debt issuance will require the engagement of other public finance service providers. Ehlers will coordinate their engagement on the City’s behalf. Where the City has previously used a particular firm to provide a service, we have assumed the City will continue that relationship. Fees charged by these service providers will be paid from proceeds of the Bonds, unless Ehlers is notified that the City will pay them from other sources. The pre-sale bond sizing includes a good faith estimate of these fees, but the final fees may vary.

Bond Counsel: Kutak Rock LLP

Paying Agent: Bond Trust Services Corporation

Rating Agency: S&P Global Ratings (S&P)

Basis for Recommendation:

Ehlers has reviewed other reasonably feasible alternatives to the recommended issuance of municipal securities. Based on the City's objectives; financial situation; risk tolerance; liquidity needs; experience with issuing obligations similar to the Bonds; long-term financial capacity; tax status considerations; and review of the structure, timing and other similar matters related to the Bonds, we are recommending the issuance of Bonds as a suitable option.

Summary:

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

- Accept or modify the finance assumptions described herein, and
- Consider the resolution provided by the City's Bond Attorney to call for holding a competitive bond sale on February 3, 2025.

PROPOSED DEBT ISSUANCE SCHEDULE

Pre-Sale Review by City Council:	January 6, 2026
Credit Enhancement Application Submission:	Week of January 12, 2026
Due Diligence Call to Review Official Statement:	Week of January 19, 2026
Conference Call with Credit Rating Agency:	Week of January 19, 2026
Distribute Official Statement/Offering Document:	January 22, 2026
City Council Meeting to Award Sale of the Bonds:	February 3, 2026
Estimated Closing Date:	February 26, 2026

Attachments

Estimated Sources and Uses of Funds

Estimated Debt Service Schedules

EHLERS' CONTACTS

Nick Anhut, Senior Municipal Advisor	(651) 697-8507
Schane Rudlang, Municipal Advisor	(651) 697-8527
Emily Wilkie, Senior Public Finance Analyst	(651) 697-8588
Alicia Gage, Senior Financial Analyst	(651) 697-8551

City of Northfield, Minnesota

\$12,335,000 General Obligation Water Revenue Bonds, Series 2026A

Assumes Current Market Non-BQ AAA Credit Enhanced Rates plus 35bps

AA Underlying Rating - 20 Years

Estimated Sources & Uses

Dated 02/26/2026 | Delivered 02/26/2026

Sources Of Funds

Par Amount of Bonds	\$12,335,000.00
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Total Sources	\$12,335,000.00
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Uses Of Funds

Total Underwriter's Discount (1.000%)	123,350.00
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Costs of Issuance	105,000.00
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Deposit to Project Construction Fund	12,105,424.30
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Rounding Amount	1,225.70
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Total Uses	\$12,335,000.00
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City of Northfield, Minnesota

\$12,335,000 General Obligation Water Revenue Bonds, Series 2026A

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AA Underlying Rating - 20 Years

Estimated Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
02/26/2026	-	-	-	-	-
08/01/2026	-	-	189,836.25	189,836.25	-
02/01/2027	480,000.00	2.900%	220,455.00	700,455.00	890,291.25
08/01/2027	-	-	213,495.00	213,495.00	-
02/01/2028	465,000.00	2.850%	213,495.00	678,495.00	891,990.00
08/01/2028	-	-	206,868.75	206,868.75	-
02/01/2029	475,000.00	2.850%	206,868.75	681,868.75	888,737.50
08/01/2029	-	-	200,100.00	200,100.00	-
02/01/2030	490,000.00	2.850%	200,100.00	690,100.00	890,200.00
08/01/2030	-	-	193,117.50	193,117.50	-
02/01/2031	505,000.00	2.900%	193,117.50	698,117.50	891,235.00
08/01/2031	-	-	185,795.00	185,795.00	-
02/01/2032	520,000.00	2.950%	185,795.00	705,795.00	891,590.00
08/01/2032	-	-	178,125.00	178,125.00	-
02/01/2033	535,000.00	3.050%	178,125.00	713,125.00	891,250.00
08/01/2033	-	-	169,966.25	169,966.25	-
02/01/2034	550,000.00	3.100%	169,966.25	719,966.25	889,932.50
08/01/2034	-	-	161,441.25	161,441.25	-
02/01/2035	565,000.00	3.150%	161,441.25	726,441.25	887,882.50
08/01/2035	-	-	152,542.50	152,542.50	-
02/01/2036	585,000.00	3.250%	152,542.50	737,542.50	890,085.00
08/01/2036	-	-	143,036.25	143,036.25	-
02/01/2037	605,000.00	3.400%	143,036.25	748,036.25	891,072.50
08/01/2037	-	-	132,751.25	132,751.25	-
02/01/2038	625,000.00	3.500%	132,751.25	757,751.25	890,502.50
08/01/2038	-	-	121,813.75	121,813.75	-
02/01/2039	645,000.00	3.650%	121,813.75	766,813.75	888,627.50
08/01/2039	-	-	110,042.50	110,042.50	-
02/01/2040	670,000.00	3.800%	110,042.50	780,042.50	890,085.00
08/01/2040	-	-	97,312.50	97,312.50	-
02/01/2041	695,000.00	3.900%	97,312.50	792,312.50	889,625.00
08/01/2041	-	-	83,760.00	83,760.00	-
02/01/2042	725,000.00	4.050%	83,760.00	808,760.00	892,520.00
08/01/2042	-	-	69,078.75	69,078.75	-
02/01/2043	750,000.00	4.150%	69,078.75	819,078.75	888,157.50
08/01/2043	-	-	53,516.25	53,516.25	-
02/01/2044	785,000.00	4.300%	53,516.25	838,516.25	892,032.50
08/01/2044	-	-	36,638.75	36,638.75	-
02/01/2045	815,000.00	4.350%	36,638.75	851,638.75	888,277.50
08/01/2045	-	-	18,912.50	18,912.50	-
02/01/2046	850,000.00	4.450%	18,912.50	868,912.50	887,825.00
Total	\$12,335,000.00	-	\$5,466,918.75	\$17,801,918.75	-

Yield Statistics

Bond Year Dollars	\$141,973.40
Average Life	11.510 Years
Average Coupon	3.8506640%
Net Interest Cost (NIC)	3.9375465%
True Interest Cost (TIC)	3.9231659%
Bond Yield for Arbitrage Purposes	3.8102890%
All Inclusive Cost (AIC)	4.0205638%

IRS Form 8038

Net Interest Cost	3.8506640%
Weighted Average Maturity	11.510 Years

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