

June 23, 2025

PRE-SALE REPORT FOR

Northfield Economic Development Authority, Minnesota

\$22,930,000 Lease Revenue Bonds (City of Northfield, Minnesota Ice Arena Lease), Series 2025A



Prepared by:

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EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

\$22,930,000 Lease Revenue Bonds (City of Northfield, Minnesota Ice Arena Lease), Series 2025A (the “Bonds”)

Purposes:

The proposed issue includes tax-exempt, fixed-rate financing for the construction of a new Ice Arena facility within the City of Northfield. Upon request made by the City Council of the City of Northfield (the “City”) and pursuant to a proposed lease purchase agreement, the City will provide rent payments sufficient to pay debt service in the form of annually appropriated ad valorem property taxes. The EDA will serve as lessor with all responsibility for the construction, maintenance and operation of the facility passed through to the City as its lessee.

Authority:

The Bonds are being issued pursuant to:

- Minnesota Statutes, Sections 465.71 (City Lease Purchase) and
- Minnesota Statutes, Sections 469.090 to 469.1082, specifically 469.103 (EDA, Revenue Bonding Authority).

The Bonds will not carry a pledge of the EDA or City’s full faith and credit. Payments on the Bonds will be payable solely from annually appropriated funds by the City Council as required by law.

Term/Call Feature:

The Bonds are being issued for a term of 20 years, six months in total. 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 Bond offering will include a call option allowing prepayment at the discretion of the EDA anytime without penalty starting February 1, 2034 or any date thereafter.

Bank Qualification:

Because the City and EDA intends to issue more than \$10,000,000 in tax-exempt obligations during the calendar year, the EDA will be not able to designate the Bonds as “bank qualified” obligations. Bank qualified status broadens the market for the Bonds which can result in more favorable interest rates.

Credit Rating:

The City's most recent General Obligation bond issues were rated by S&P Global Ratings. The Current rating on those bonds is "AA." Because an annual appropriation pledge provides less security to the potential bondholders than a general obligation pledge, Ehlers anticipates that the rating on the Bonds will be lower.

As the obligated party providing the annual appropriation pledge, to enhance marketability of the Bonds we recommend the City request a new evaluation for the Bonds.

The underwriter on the Bonds may elect to purchase bond insurance. In that instance, the credit rating for the issue may be higher in the event the bond rating of the insurer is higher than that applied initially to the EDA Bonds.

Method of Sale/Placement:

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

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

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 a maturity in return for a higher coupon (the interest rate paid by the issuer) than the prevailing market yield. 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 \$23,000,000 offering may receive bids that result in proceeds of \$23,460,000 to \$25,700,000.

For this issue of Bonds we have been directed to use any net premium to reduce the size of the issue. The resulting adjustments may slightly change the final true interest cost calculation 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 EDA and City's objectives for this financing.

Parameters:

The City Council adopted a resolution authorizing the execution of the lease purchase agreement and authorizing the issuance of the Bonds on June 17, 2025. The Board of Commissioners will consider adoption of a Parameters Resolution on June 23, 2025, which delegates authority to a Pricing Committee consisting of the President of the EDA, the Assistant Treasurer of the EDA/City Finance Director, and the City Administrator to accept

and approve a bid for the Bonds so long as the bid meets certain parameters specified in the resolutions. These parameters are:

- * Issue size not to exceed \$23,000,000
- * Maximum True Interest Cost (TIC) of 6.25%
- * Final maturity not later than February 1, 2046

We recommend soliciting bids for acceptance on July 22, 2025 by the designated officials on behalf of the Board. As additional facts become known or capital markets conditions change, we may advise the EDA on alternative timing to achieve results consistent with its objectives.

Other Considerations:

To obtain financing for the facility, the EDA and City will enter into a ground lease, lease purchase agreement, and Trust Indenture. The forms of all agreement have been prepared by the City's bond counsel at Kutak Rock LLP. A national banking institution with trust powers will be selected by the EDA or its designee to serve as trustee of the agreements as well as the paying agent and registrar for the Bonds.

Continuing Disclosure:

The City, as the obligated party, 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 for its existing bonds and engages Ehlers as disseminating agent to prepare and file the reports.

Arbitrage Monitoring:

Under the terms of the agreements, 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, 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 specific arbitrage responsibilities will be detailed in a Tax Compliance Document prepared by the Bond Attorney and provided at closing.

The Bonds may qualify for one or more exception(s) to the Arbitrage Rules by meeting various spend down, debt service fund, or investments yield restrictions. The City is currently receiving arbitrage services from Ehlers. An Ehlers arbitrage expert will contact the City within 30 days after the sale date to review the specific responsibilities for the Bonds.

Investment of Bond Proceeds:

The EDA may maximize funding available by temporarily investing the Bonds proceeds until the funds are needed to pay project costs. As a Registered Investment Advisor, Ehlers can

assist the EDA in developing a strategy to invest your Bond proceeds under the objectives of its investment policy and in consideration of the applicable Trust Indenture, Tax Compliance Documents and Arbitrage Rules.

Risk Factors:

Annual Appropriation: The lease with the City will contain an annual non-appropriation clause under which the City has the right to terminate the Lease at the end of any fiscal year if it does not appropriate moneys sufficient to make required payments for the next fiscal year.

In an event of default under the Lease or termination of the Lease under the non-appropriation clause, the bondholders may exercise all of the rights of the EDA under the Lease, including the right to take possession of the Facility and potentially sell any portion thereof at a public or private sale to recover the outstanding debt in accordance with applicable state laws.

Further If the City ever terminated the Lease, it is likely that the City's credit rating would be severely downgraded.

As long as the City has not exercised its ability to non-appropriate under the terms of the Lease, the EDA's involvement is minimal.

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. 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

Trustee / Paying Agent: TBD

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

Basis for Recommendation:

Based on the City's approval of the project and form of the proposed lease purchase agreement, we are recommending the issuance of Bonds as a suitable option. This is based on our understanding of the City and EDA's stated objectives; financial situation; risk tolerance; liquidity needs; experience with the issuance of municipal securities; long-term financial capacity; as well as the tax status considerations, structure, timing and other similar matters related to the Bonds.

Summary:

The decisions to be made by the Board of Commissioners are as follows:

- Accept or modify the finance assumptions described in this report
- Consider a resolution provided by the Bond Attorney to establish parameters for the sale of the Bonds

PROPOSED DEBT ISSUANCE SCHEDULE

City Council authorization of Lease Agreements and approval of issuance of Lease Revenue Bonds	Completed
Pre-Sale Review by the Board of Commissioners	June 23, 2025
Due Diligence Call to Review Official Statement:	Week of July 9, 2025
Conference with Rating Agency:	Week of July 9, 2025
Distribute Official Statement:	July 10, 2025
Ehlers receives and evaluates proposals for purchase of the Bonds to provide a recommendation for award:	July 22, 2025
Designated Officials Award Sale of the Bonds:	July 22, 2025
Estimated Closing Date:	August 7, 2025

Attachments

Estimated Sources and Uses of Funds
Estimated Debt Service Schedule

EHLERS' CONTACTS

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Northfield EDA, Minnesota

\$22,930,000 Lease Revenue Bonds, Series 2025A

(City of Northfield, Minnesota Ice Arena Lease)

Assumes Current Market Non-BQ "AA-" Rates plus 35bps

Estimated Sources & Uses

Dated 08/14/2025 | Delivered 08/14/2025

Sources Of Funds

Par Amount of Bonds	\$22,930,000.00
City Property Sale Proceeds	1,016,643.00
Cash Donations	1,254,359.00

Total Sources	\$25,201,002.00
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Uses Of Funds

Total Underwriter's Discount (1.200%)	275,160.00
Costs of Issuance	162,000.00
Deposit to Project Construction Fund	24,761,554.00
Rounding	2,288.00

Total Uses	\$25,201,002.00
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Northfield EDA, Minnesota

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Estimated Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
08/14/2025	-	-	-	-	-
08/01/2026	-	-	1,063,858.63	1,063,858.63	-
02/01/2027	265,000.00	3.900%	551,857.50	816,857.50	1,880,716.13
08/01/2027	-	-	546,690.00	546,690.00	-
02/01/2028	790,000.00	3.900%	546,690.00	1,336,690.00	1,883,380.00
08/01/2028	-	-	531,285.00	531,285.00	-
02/01/2029	820,000.00	3.850%	531,285.00	1,351,285.00	1,882,570.00
08/01/2029	-	-	515,500.00	515,500.00	-
02/01/2030	850,000.00	3.950%	515,500.00	1,365,500.00	1,881,000.00
08/01/2030	-	-	498,712.50	498,712.50	-
02/01/2031	885,000.00	4.000%	498,712.50	1,383,712.50	1,882,425.00
08/01/2031	-	-	481,012.50	481,012.50	-
02/01/2032	920,000.00	4.050%	481,012.50	1,401,012.50	1,882,025.00
08/01/2032	-	-	462,382.50	462,382.50	-
02/01/2033	960,000.00	4.200%	462,382.50	1,422,382.50	1,884,765.00
08/01/2033	-	-	442,222.50	442,222.50	-
02/01/2034	1,000,000.00	4.250%	442,222.50	1,442,222.50	1,884,445.00
08/01/2034	-	-	420,972.50	420,972.50	-
02/01/2035	1,040,000.00	4.450%	420,972.50	1,460,972.50	1,881,945.00
08/01/2035	-	-	397,832.50	397,832.50	-
02/01/2036	1,090,000.00	4.550%	397,832.50	1,487,832.50	1,885,665.00
08/01/2036	-	-	373,035.00	373,035.00	-
02/01/2037	1,135,000.00	4.700%	373,035.00	1,508,035.00	1,881,070.00
08/01/2037	-	-	346,362.50	346,362.50	-
02/01/2038	1,190,000.00	4.800%	346,362.50	1,536,362.50	1,882,725.00
08/01/2038	-	-	317,802.50	317,802.50	-
02/01/2039	1,250,000.00	5.000%	317,802.50	1,567,802.50	1,885,605.00
08/01/2039	-	-	286,552.50	286,552.50	-
02/01/2040	1,310,000.00	5.050%	286,552.50	1,596,552.50	1,883,105.00
08/01/2040	-	-	253,475.00	253,475.00	-
02/01/2041	1,375,000.00	5.150%	253,475.00	1,628,475.00	1,881,950.00
08/01/2041	-	-	218,068.75	218,068.75	-
02/01/2042	1,445,000.00	5.250%	218,068.75	1,663,068.75	1,881,137.50
08/01/2042	-	-	180,137.50	180,137.50	-
02/01/2043	1,525,000.00	5.350%	180,137.50	1,705,137.50	1,885,275.00
08/01/2043	-	-	139,343.75	139,343.75	-
02/01/2044	1,605,000.00	5.400%	139,343.75	1,744,343.75	1,883,687.50
08/01/2044	-	-	96,008.75	96,008.75	-
02/01/2045	1,690,000.00	5.500%	96,008.75	1,786,008.75	1,882,017.50
08/01/2045	-	-	49,533.75	49,533.75	-
02/01/2046	1,785,000.00	5.550%	49,533.75	1,834,533.75	1,884,067.50
Total	\$22,930,000.00	-	\$14,729,576.13	\$37,659,576.13	-

Yield Statistics

Bond Year Dollars	\$290,991.97
Average Life	12.690 Years
Average Coupon	5.0618497%
Net Interest Cost (NIC)	5.1564090%
True Interest Cost (TIC)	5.1414951%
Bond Yield for Arbitrage Purposes	5.0068477%
All Inclusive Cost (AIC)	5.2218729%

IRS Form 8038

Net Interest Cost	5.0618497%
Weighted Average Maturity	12.690 Years

NorthfieldEDA Series 2025 | SINGLE PURPOSE | 6/10/2025 | 8:18 AM

