

June 17, 2025

PRE-SALE REPORT FOR

City of Northfield, Minnesota

**\$4,440,000 General Obligation Street Reconstruction
and Equipment Bonds, Series 2025B**



Prepared by:

Ehlers
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Advisors:

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EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

\$4,440,000 General Obligation Street Reconstruction and Equipment Bonds, Series 2025B

Purposes:

The proposed issue includes tax-exempt, fixed rate financing for acquisition of capital equipment and certain street reconstruction projects described in the City's 5-year Street Reconstruction and Overlay Plans, adopted in 2024 and 2025. Inclusive of estimated financing costs, the Bonds will be allocated as follows:

- \$415,000 - Equipment Portion with debt service to be paid from ad valorem property taxes collected from 2026 to 2035.
- \$4,025,000 - Street Reconstruction Portion with debt service to be paid from ad valorem property taxes collected from 2026 to 2040.

Authority:

The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged, and are being issued pursuant to Minnesota Statutes, Chapters 412 (Equipment Portion) and 475 (Street Reconstruction Portion).

Under Chapter 412: as the amount of equipment certificates to be issued is below 0.25% of the City's current Estimated Market Value (EMV) of taxable property, the City has legal authority without requiring a referendum. The City's Pay 2025 EMV is \$2,328,301,600, setting the threshold at \$5.8 million. The Equipment Portion of the Bonds is under the amount proscribed in statute.

Under Chapter 475, the City may issue Street Reconstruction Bonds for designated projects after approval at a public hearing and satisfying a 30-day petition period. The City Council held public hearings in December 5, 2023 for the Wall Street Road project and January 21, 2025 for the 2025 Street Project without petition.

The Bonds will also count against the City's statutory Net Debt Limit set at 3% of the current EMV, or \$69,849,048. The City has \$23.4 million of outstanding debt subject to the limit. Including this issue of Bonds and potential financing for the Ice Arena, the City will have \$19 million in remaining capacity within the statutory Net Debt Limit for future needs.

Term/Call Feature:

The Bonds are being issued for a term of 15 years, six months in total. Principal on the Bonds will be due on February 1 in the years 2027 through 2041. 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 City anytime without penalty starting February 1, 2034 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 for itself in addition to any potential conduit issuance for the Northfield Hospital, the City 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 bond issues were rated by S&P Global Ratings. The current rating on those bonds is “AA”. To enhance marketability of the Bonds, we recommend the City request a new evaluation to update and apply the credit rating to 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 of the City.

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 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 \$4,000,000 offering may receive bids that result in proceeds of \$4,080,000 to \$4,400,000.

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 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 viable refunding opportunities to consider. We will continue to monitor the market and call dates of the City’s outstanding debt to alert you 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 for its existing bonds and engages Ehlers as its disseminating agent 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 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 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 City’s specific responsibilities for the Bonds.

Investment of Bond Proceeds:

The City 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 City in developing a strategy to invest your Bond proceeds under the objectives of the City’s investment policy and in consideration of the applicable Tax Compliance Document and Arbitrage Rules.

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. 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.

Bond Counsel: Kutak Rock LLP

Paying Agent: Bond Trust Services Corporation

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

Basis for Recommendation:

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

- The issuance is consistent with the City's practices for financing its large-scale capital projects and the anticipated repayment is consistent with long-term financial plans.
- General Obligation pledge and tax-exemption can result in lower interest costs than most other financing options available to the City.
- The expectation is this form of financing will meet the City's objectives for term and prepayment flexibility.
- The method of sale process identified complies with City policy as well as best practices endorsed by the Government Finance Officers Association (GFOA).

Summary:

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

- Accept or modify the finance assumptions described in this report, and
- Consider the resolution provided by the City's Bond Attorney to establish a July 22, 2025 competitive bond sale date.

PROPOSED DEBT ISSUANCE SCHEDULE

Pre-Sale Review by City Council:	June 17, 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
City Council Meeting to Award Sale of the Bonds:	July 22, 2025
Estimated Closing Date:	August 14, 2025

Attachments

Estimated Sources and Uses of Funds

Estimated Debt Service Schedules

EHLERS' CONTACTS

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Schane Rudlang, Associate 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

\$4,440,000 G.O. Street Reconstruction & Equipment Bonds, Series 2025B

Issue Summary

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

Estimated Total Issue Sources And Uses

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

	Street Reconstruction	Equipment	Issue Summary
Sources Of Funds			
Par Amount of Bonds	\$4,025,000.00	\$415,000.00	\$4,440,000.00
Total Sources	\$4,025,000.00	\$415,000.00	\$4,440,000.00
Uses Of Funds			
Total Underwriter's Discount (1.200%)	48,300.00	4,980.00	53,280.00
Costs of Issuance	58,018.02	5,981.98	64,000.00
Deposit to Project Construction Fund	3,916,196.00	404,601.00	4,320,797.00
Rounding Amount	2,485.98	(562.98)	1,923.00
Total Uses	\$4,025,000.00	\$415,000.00	\$4,440,000.00

City of Northfield, Minnesota

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Issue Summary

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

Estimated Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
08/14/2025	-	-	-	-	-
08/01/2026	-	-	166,304.57	166,304.57	-
02/01/2027	170,000.00	3.350%	86,267.50	256,267.50	422,572.07
08/01/2027	-	-	83,420.00	83,420.00	-
02/01/2028	255,000.00	3.350%	83,420.00	338,420.00	421,840.00
08/01/2028	-	-	79,148.75	79,148.75	-
02/01/2029	265,000.00	3.300%	79,148.75	344,148.75	423,297.50
08/01/2029	-	-	74,776.25	74,776.25	-
02/01/2030	275,000.00	3.400%	74,776.25	349,776.25	424,552.50
08/01/2030	-	-	70,101.25	70,101.25	-
02/01/2031	280,000.00	3.450%	70,101.25	350,101.25	420,202.50
08/01/2031	-	-	65,271.25	65,271.25	-
02/01/2032	295,000.00	3.500%	65,271.25	360,271.25	425,542.50
08/01/2032	-	-	60,108.75	60,108.75	-
02/01/2033	300,000.00	3.650%	60,108.75	360,108.75	420,217.50
08/01/2033	-	-	54,633.75	54,633.75	-
02/01/2034	310,000.00	3.700%	54,633.75	364,633.75	419,267.50
08/01/2034	-	-	48,898.75	48,898.75	-
02/01/2035	320,000.00	3.900%	48,898.75	368,898.75	417,797.50
08/01/2035	-	-	42,658.75	42,658.75	-
02/01/2036	340,000.00	4.000%	42,658.75	382,658.75	425,317.50
08/01/2036	-	-	35,858.75	35,858.75	-
02/01/2037	300,000.00	4.150%	35,858.75	335,858.75	371,717.50
08/01/2037	-	-	29,633.75	29,633.75	-
02/01/2038	310,000.00	4.250%	29,633.75	339,633.75	369,267.50
08/01/2038	-	-	23,046.25	23,046.25	-
02/01/2039	325,000.00	4.450%	23,046.25	348,046.25	371,092.50
08/01/2039	-	-	15,815.00	15,815.00	-
02/01/2040	340,000.00	4.500%	15,815.00	355,815.00	371,630.00
08/01/2040	-	-	8,165.00	8,165.00	-
02/01/2041	355,000.00	4.600%	8,165.00	363,165.00	371,330.00
Total	\$4,440,000.00	-	\$1,635,644.57	\$6,075,644.57	-

Yield Statistics

Bond Year Dollars	\$39,994.67
Average Life	9.008 Years
Average Coupon	4.0896567%
Net Interest Cost (NIC)	4.2228745%
True Interest Cost (TIC)	4.2229304%
Bond Yield for Arbitrage Purposes	4.0569813%
All Inclusive Cost (AIC)	4.4260314%

IRS Form 8038

Net Interest Cost	4.0896567%
Weighted Average Maturity	9.008 Years

City of Northfield, Minnesota

\$4,440,000 G.O. Street Reconstruction & Equipment Bonds, Series 2025B

Issue Summary

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

Estimated Annual Debt Service Schedule and Levy Calculation

Date	Principal	Coupon	Interest	Total P+I	105% Levy Coverage
02/01/2026	-	-	-	-	-
02/01/2027	170,000.00	3.350%	252,572.07	422,572.07	443,700.67
02/01/2028	255,000.00	3.350%	166,840.00	421,840.00	442,932.00
02/01/2029	265,000.00	3.300%	158,297.50	423,297.50	444,462.38
02/01/2030	275,000.00	3.400%	149,552.50	424,552.50	445,780.13
02/01/2031	280,000.00	3.450%	140,202.50	420,202.50	441,212.63
02/01/2032	295,000.00	3.500%	130,542.50	425,542.50	446,819.63
02/01/2033	300,000.00	3.650%	120,217.50	420,217.50	441,228.38
02/01/2034	310,000.00	3.700%	109,267.50	419,267.50	440,230.88
02/01/2035	320,000.00	3.900%	97,797.50	417,797.50	438,687.38
02/01/2036	340,000.00	4.000%	85,317.50	425,317.50	446,583.38
02/01/2037	300,000.00	4.150%	71,717.50	371,717.50	390,303.38
02/01/2038	310,000.00	4.250%	59,267.50	369,267.50	387,730.88
02/01/2039	325,000.00	4.450%	46,092.50	371,092.50	389,647.13
02/01/2040	340,000.00	4.500%	31,630.00	371,630.00	390,211.50
02/01/2041	355,000.00	4.600%	16,330.00	371,330.00	389,896.50
Total	\$4,440,000.00	-	\$1,635,644.57	\$6,075,644.57	\$6,379,426.80

Significant Dates

Dated	8/14/2025
First Coupon Date	8/01/2026

Yield Statistics

Bond Year Dollars	\$39,994.67
Average Life	9.008 Years
Average Coupon	4.0896567%
Net Interest Cost (NIC)	4.2228745%
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