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FIVE-YEAR STREET RECONSTRUCTION & OVERLAY PLAN:



2025 - 2029



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I. INTRODUCTION

In 2002, the Minnesota State Legislature passed into law a bill which generally exempts city bonds issued under a street reconstruction program from the referendum requirements usually required for bonding expenditures. In 2013 the Legislature amended the law to allow bituminous overlays to be included in the street reconstruction program. In 2021 the Legislature amended the definition of street reconstruction and bituminous overlays to include the addition or reconstruction of turn lanes, bicycle lanes, sidewalks and paths having a substantial public safety function. In addition, widening a street and adding curbs and gutters where none previously existed is an allowable cost in connection with safety improvements; realignments; intersection modifications; and the local share of state and county road projects. The authorization is contained in *Minnesota Statutes, Section 475.58, subdivision 3b* (the “Act”).

II. PURPOSE

A street reconstruction program represents a major expenditure of city funds for the reconstruction or bituminous overlay of public streets. As defined in the Act, street reconstruction and bituminous overlay projects may include utility replacement and relocation and other incidental costs, turn lanes and other improvements having a substantial public safety function, realignments, other modifications to intersect with state and county roads, and the local share of state and county road projects. Except in the case of turn lanes, safety improvements, realignments, intersection modifications, and local share of state and county road projects, street reconstruction and overlays do not include the portion of project costs allocable to widening a street or adding curbs and gutters where none previously existed.

A Street Reconstruction and Overlay Plan (SROP) is a document designed to anticipate street reconstruction and overlay expenditures and schedule them over a five-year period so that they may be purchased in the most efficient and cost-effective method. A SROP allows the matching of expenditures with anticipated income. As potential expenditures are reviewed, the city considers the benefits, costs, alternatives and potential impact on operating expenditures.

The City of Northfield, Minnesota (the “City”) believes the street reconstruction and overlay process, as part of its larger Capital Improvement Planning process, is an important element of responsible fiscal management. Major capital expenditures can be anticipated and coordinated to minimize potentially adverse financial impacts caused by the timing and magnitude of capital outlays. This coordination of capital expenditures is important to the City in achieving its goals of adequate physical assets and sound fiscal management. Good planning is essential for the wise use of limited financial resources. The SROP is designed to be updated on an as needed basis as a supplement to the City’s annual Capital Improvement Plan (CIP). In this manner, they become an ongoing fiscal planning tools that continually anticipates future capital expenditures and funding sources.

III. PLANNING PROCESS

The City Council annually reviews its capital expenditures according to their priority, fiscal impact, and available funding as part of its CIP process. The City staff is instructed to assemble the specific capital expenditures to be undertaken within the next five years and the City Council prepares a plan based on the available funding sources. From this information, a preliminary CIP is prepared for public discussion from citizens and other governmental units. Changes are made based on that input, and a final plan is established. The City’s most recent 2025 to 2029 CIP was adopted December 3, 2024.

Over the life of the CIP, once the funding becomes available the individual capital expenditures can be made as part of individual project approvals. In subsequent years, the process is repeated as expenditures are completed and new needs arise.

When bonding is necessary, the City works with its municipal advisor to prepare for a bond sale, consider alternatives for the anticipated repayment schedule, and coordinate the authorization process. Street reconstruction and overlay planning occurs separately from the CIP process focusing specifically on street reconstruction and overlay projects to be financed with general obligation street reconstruction bonds under provisions of the Act. The SROP is to describe the identified street reconstruction and overlay projects to be financed, their estimated costs, and any additional planned reconstruction or overlay of other streets in the

City over the next five years. Over the life of the SROP, each individual project scope is finalized and contracts are bid and awarded by the Council. Capital expenditures are made once the identified funding, including proceeds from the bond sale(s), becomes available.

Prior to authorization, the city must hold a public hearing for public input on a SROP. Notice of such hearing must be published in the official newspaper of the city at least 10, but not more than 28 days prior to the date of the public hearing. Following the public hearing, the council must approve the SROP and issuance of street reconstruction bonds by a two-thirds majority vote of its membership present at the meeting.

Although this process does not require an election, a so-called “reverse referendum” petition period is mandatory. If a valid petition requesting an election on the issuance of street reconstruction bonds bearing the signatures of at least 5 percent of the votes cast in the last municipal general election is filed with the municipal clerk within 30 days after the public hearing, an election on the question of the issuance of the bonds shall be required to authorize the issuance of street reconstruction and overlay bonds. If the City then elects not to submit the question to the voters, the City shall not propose the issuance of street reconstruction and overlay bonds under the Act for the same purpose for a period of 365 days from the date of receipt of the petition.

IV. PROJECT SUMMARY

The planned reconstruction and overlay of streets in the City to be undertaken with this 2025 to 2029 SROP are listed in Appendix A. The listed projects are subject to the approval of the Council and may be funded in part, or in whole, with proceeds of bonds issued under the Act or other designated funds. All other foreseeable capital expenditures within the City government will come through other means or through an amendment to this SROP.

The specific expenditures to be undertaken with this SROP are listed as 2025 Expenditures below and have been submitted for inclusion:

- 2025 Expenditures: \$3,079,813
- 2026-2029 Potential Expenditures: See Appendix A

V. FINANCING

In addition to amounts authorized under prior street reconstruction plans, the City expects to fund up to \$3,079,813 of 2025 Street Reconstruction and Overlay Plan project and financing expenditures under the SROP. If these expenditures are to be funded, the City's funding is anticipated to be generated through the City's franchise fees, utility funds, tax levy and the sale of general obligation street reconstruction plan bonds.

In the financing of the SROP, one statutory limitation applies. Under Chapter 475, with few exceptions, cities cannot incur debt in excess of 3.0% of the assessor's estimated market value (EMV) for the city. The City's Preliminary Pay 2025 EMV is \$2,327,695,500. As noted in the table below, the City's debt subject to this requirement, including the proposed SROP bond issue, is within the required threshold:

Net Debt Limit	
Assessor's Estimated Market Value	2,327,695,500
Multiply by 3%	0.03
Statutory Debt Limit	69,830,865
Less: Existing Debt	(24,730,000)
Less: Proposed SROP Bond Issue(s)	(2,725,000)
Unused Debt Limit	42,375,865

Under the SROP, the City plans to issue general obligation bonds in an aggregate principal amount not to exceed \$2,725,000, in one or more series, at one time or from time to time, to finance the identified 2025 Street Reclamation and Overlay Plan projects. The bond sizing is based upon funding the estimated project amount listed in Appendix A inclusive of estimated issuance costs and/or contingency. Current estimates of size and repayment of the maximum amount of general obligation street reconstruction and overlay bonds under consideration is shown in Appendix B.

VI. PLAN CONTINUATION

This SROP will be reviewed annually as needed by the City Council using the process outlined in this document. If additional project needs are identified for future years and additional bonding authority is deemed necessary, the Council will prepare an update to this SROP.

APPENDIX A – SROP Projects

The 2025 capital expenditures identified within this SROP are for the City’s costs to conduct the 2025 Street Reclamation project, 2025 Mill an Overlay Project and 2025 Sidewalk/Trail Improvements project. The total amount of expenditures is anticipated to be \$3,079,813.

The following table summarizes the anticipated project sources and uses:

2025 Street Reconstruction Plan Projects	
<u>Sources:</u>	<u>Amount</u>
Street Reconstruction Plan Bonds	\$ 2,725,000
Water Fund	\$ 94,066
Waste Water Fund	\$ 97,031
Stormwater Fund	\$ 163,716
Total Sources:	\$ 3,079,813
<u>Uses:</u>	
2025 Street Reclamation Project	\$ 1,289,270
2025 Mill and Overlay Project	\$ 1,084,095
2025 Sidewalk / Trail Improvements	\$ 617,396
Financing / Contingency	\$ 89,052
Total Uses:	\$ 3,079,813

Up to \$2,725,000 in new bond issuance offset is anticipated to provide the funding for the designated projects, potentially with additional city sources identified as franchise fees and utility enterprise funds (Storm Fund, Sanitary Fund and Water Fund). The actual amount of the City’s bond issuance will be determined after the projects have been bid so as not to issue debt for expenditures that may not be incurred.

The full list of planned 2025-2029 Street Reconstruction and Overlay Plan capital expenditures that have been adopted within the City’s Capital Improvement Plan and may be funded in part, or in whole, with proceeds of bonds issued under the Act follows:

SROP Projects		
Year	Project	Amount
2025	2025 Street Reclamation Project	\$ 1,289,270
2025	2025 Mill and Overlay Project	\$ 1,084,095
2025	Sidewalk/Trail Improvements	\$ 617,396
2026	2026 Mill and Overlay Project	\$ 1,233,200
2026	Jefferson Parkway Mill and Overlay / Trail	\$ 2,007,487
2026	Fremouw Avenue Railroad Crossing	\$ 290,000
2026	Mill Towns Trail - Prairie St to Woodley St	\$ 1,169,885
2026	Prairie St Sidewalk	\$ 180,468
2026	Spring Street Cul-de-Sac	\$ 500,000
2027	Reclamation Project	\$ 2,054,448
2027	Spring Creek Road Reclamation	\$ 1,340,623
2027	Water Street Mill and Overlay	\$ 633,776
2028	Eaves Avenue Overlay	\$ 1,485,290
2028	2028 Street Reclamation Projects	\$ 2,302,462
2028	Sidewalk/Trail Improvements	\$ 2,531,666
2028	Armstrong Road Recon and Reclamation	\$ 2,878,544
2029	Jefferson Road Mill and Overlay	\$ 1,824,932
2029	Greenvale Avenue Mill and Overlay	\$ 1,167,917
2029	Cannon Valley Drive Mill and Overlay	\$ 332,664
2029	Presidential Commons Mill and Overlay	\$ 952,084
2029	Sidewalk/Trail Improvements	\$ 526,637
TOTAL		\$ 26,402,844

APPENDIX B

City of Northfield, Minnesota

\$2,725,000 General Obligation Street Reconstruction Plan Bonds, Series 2025

Assumes Current Market Non-BQ "AA" Rates plus 50bps

15 Years Debt Repayment Structure

Estimated Debt Service Schedule and Levy Calculation

Date	Principal	Coupon	Interest	Total P+I	105% Overlevy
08/01/2025	-	-	-	-	-
02/01/2027	100,000.00	3.250%	138,941.25	238,941.25	250,888.31
02/01/2028	150,000.00	3.150%	89,377.50	239,377.50	251,346.38
02/01/2029	155,000.00	3.150%	84,652.50	239,652.50	251,635.13
02/01/2030	160,000.00	3.150%	79,770.00	239,770.00	251,758.50
02/01/2031	165,000.00	3.200%	74,730.00	239,730.00	251,716.50
02/01/2032	170,000.00	3.200%	69,450.00	239,450.00	251,422.50
02/01/2033	175,000.00	3.250%	64,010.00	239,010.00	250,960.50
02/01/2034	185,000.00	3.350%	58,322.50	243,322.50	255,488.63
02/01/2035	190,000.00	3.350%	52,125.00	242,125.00	254,231.25
02/01/2036	195,000.00	3.450%	45,760.00	240,760.00	252,798.00
02/01/2037	200,000.00	3.500%	39,032.50	239,032.50	250,984.13
02/01/2038	210,000.00	3.550%	32,032.50	242,032.50	254,134.13
02/01/2039	215,000.00	3.600%	24,577.50	239,577.50	251,556.38
02/01/2040	225,000.00	3.650%	16,837.50	241,837.50	253,929.38
02/01/2041	230,000.00	3.750%	8,625.00	238,625.00	250,556.25
Total	\$2,725,000.00	-	\$878,243.75	\$3,603,243.75	\$3,783,405.94