



Northfield, MN

Tax Abatement and General Obligation Bonds

August 20, 2019



Bond Presale Discussion

General Obligation Bonds, Series 2019A

- \$1,990,000 financing for 2019 Street Reclamation project
 - ✓ “Improvement Bonds” portion (under M.S. 429)
 - ✓ Bonding amount assumes 30% of assessments prepaid; MSA and utility contr.
- \$735,000 financing for Spring Creek Road and Public Facility Roof Replacement projects
 - ✓ Utilizing Abatement (under M.S. 469)
- \$4,125,000 to acquire Police Facility through refinancing the 2012B Certificates of Participation
 - ✓ \$6,280,000 issued for construction in 2012
 - ✓ Average annual debt service remaining is over \$420,000 through 2033



Bonds – Tax Abatement

Tax abatement authority allows MN Cities to apply General Obligation pledge toward financing public improvements

- Pledge helps secure lowest costs financing (“AA” rating)
- Public Hearing
 - Identify source and term of abatement (10 years)
 - Findings – In the public interest because:
 - Provide or help acquire or construct public facilities
 - Finance or provide public infrastructure
 - Both identified within M.S. 469.1813



Tax Abatement Area

61 parcels

Residential Area

\$74,594 city taxes

**Does not interfere or overlap with potential TIF Districts*





Tax Abatement

Tax Abatement Limit

- City can annually abate up to the greater of: 10% of Net Tax Capacity or \$200,000
- 2019 Net Tax Capacity \$16,104,016
- Limit (10%) \$ 1,610,401
- Less: Existing abatements (\$ 256,000)
- Available Capacity = \$ 1,354,401



Refunding

Refinancing 2012B Certificates

- Existing balance of \$4,740,000 averaging 3.05% interest
- Today's market interest rates below 2.25%
- Also, debt service funds available to pay down the balance

- Total projected debt service savings of \$275,000
 - ✓ Net of financing costs and debt service funds
- Also designed to alleviate levy impact in 2020 and 2021



2019A Bonds – Levy implications

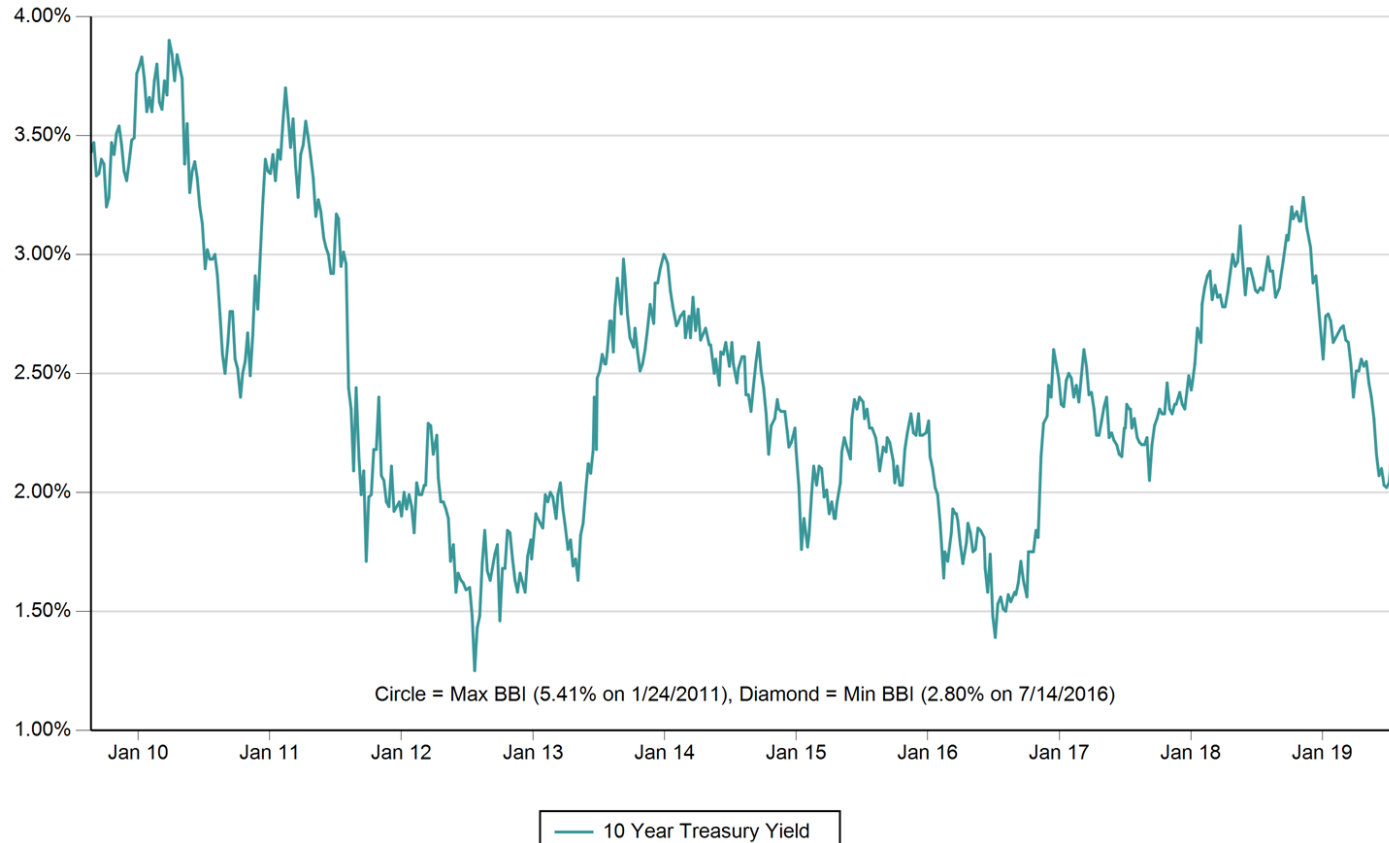
Improvements Portion – projected to average \$162,708

Abatement Portion – projected to average \$85,799

Refunding Portion – projected to reduce existing annual debt levy by
average of \$23,089



Interest Rate Trends – last ten years





Consideration

1) Resolution to establish abatement area for Spring Creek and Public Facility projects

2) Resolution to call for a competitive sale of bonds Sept. 17, 2019

- General Obligation Bonds, Series 2019A
- Rating discussion and document production
- Competitive bids awarded on the basis of lowest interest costs
- City Council awards through resolution
 - ✓ Bid results presented 9/17/2019