

May 26, 2026

FIVE – YEAR CAPITAL IMPROVEMENT PLAN FOR ISSUANCE
OF GENERAL OBLIGATION CIP BONDS:

City of Columbia Heights, Minnesota

2026 - 2030

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I. INTRODUCTION

In 2003, the Minnesota State Legislature adopted a statute (Section 475.521, referred to herein as the “CIP Act”) that allows cities to issue municipal bonds under a capital improvement plan without a referendum requirement (except for the so-called “reverse referendum” petition provision described below). The CIP Act applies to specific capital improvements for the purposes of city halls, public works, and public safety facilities. The 2005 Legislature added towns to the meaning of a municipality, as well as libraries and town halls to the meaning of a capital improvement under the CIP Act.

Throughout this plan, the term “Capital Improvement” refers only to those improvements identified in the CIP Act, as summarized above. Capital expenditures for other public improvements in the City of Columbia Heights, Minnesota (the “City”) will be funded through other means identified in the City’s regular capital improvement planning and budgeting processes and are not governed by this plan.

II. PURPOSE

A capital improvement (“Capital Improvement”) as defined in the CIP Act is a major expenditure of municipal funds for the acquisition or betterment to public lands, buildings, or other improvements used as a city hall, town hall, library, public safety, or public works facility, any of which have a useful life of 5 years or more. For the purposes of the CIP Act, Capital Improvements do not include light rail transit or related activities, parks, road/bridges, administrative buildings other than a city or town hall, or land for those facilities. A Capital Improvement Plan (“CIP”), as identified by the CIP Act, is a document designed to anticipate Capital Improvement expenditures over a five-year period so that they may be acquired, constructed and/or installed in a cost-effective and efficient manner. The CIP must set forth the estimated schedule, timing, and details of specific Capital Improvements by year, together with the estimated cost, need for improvement, and sources of revenue to pay for the improvement.

The City believes the capital improvement process is an important element of responsible fiscal management and annually adopts a comprehensive capital improvement plan for City-wide capital expenditures as part of its

budgeting process. That annual capital planning process is related to but distinct from this document which is the CIP as referenced in the CIP Act described above.

As potential expenditures are reviewed, the City considers the benefits, costs, alternatives and impact on operating expenditures. This coordination of capital expenditures is important to the City in achieving its goals of adequate physical assets and sound fiscal management. To offset financially difficult times, good planning is essential for the wise use of limited financial resources.

III. PLANNING PROCESS

As part of its budgeting process, the City Council annually reviews its capital expenditures according to their priority, fiscal impact, and available funding. The City identifies the specific capital expenditures to be undertaken within the next five years, and prepares a plan based on project priorities and available funding sources. In subsequent years, the process is repeated as expenditures are completed and new needs arise.

If the plan calls for the issuance of general obligation bonds to finance certain Capital Improvements (referred to herein as “CIP Bonds”), the City Council must follow an additional set of procedures. The City may adopt a CIP specifically for those Capital Improvements and address various factors identified within the CIP Act. This CIP, therefore, supplements the City’s established capital planning process.

The Council must hold a public hearing regarding the proposed issuance of the CIP Bonds to obtain public comment on the matter. Notice of the 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. In addition, the notice may be posted on the City’s official web site.

The Council must approve the sale of CIP Bonds by an affirmative vote of 3/5ths vote of its members (the Council being comprised of five (5) members). However, the issuance of CIP Bonds is also subject to a “reverse referendum” if a valid petition is signed by voters equal to at least five percent of the votes cast in the City in last general election and is filed with the City Clerk within 30 days after the public hearing regarding the

proposed issuance of the CIP Bonds, the CIP Bonds may not be issued under the CIP Act unless approved by a majority of voters voting on the question of issuing the obligations.

Further, the City may not issue bonds under the CIP Act if the maximum amount of principal and interest to become due in any year on all City CIP Bonds outstanding and proposed to be issued under the CIP Act will equal or exceed 0.16% of the estimated market value of property in the City, using the market value for the taxes-payable year in which the CIP Bonds are issued and sold.

After the CIP has been approved and the CIP Bonds have been authorized, the City works with its municipal advisor to prepare a bond sale and repayment schedule. Assuming no petition for a referendum is filed, the CIP Bonds are sold, and when proceeds from the sale of the bonds (and any other identified revenue sources) become available, prior qualifying expenditures for specified Capital Improvements can be reimbursed and new expenditures made.

IV. PROJECT SUMMARY

2026 Expenditures

The City anticipates \$1,519,000 in expenditures for land acquisition, pre-design architectural services, soil testing and lease buyout.

2027 Expenditures

The City anticipates \$1,765,000 in expenditures for final design architectural services, lease buyout, and pollution/soil remediation.

2028 Expenditures

Construction of the new Municipal Service Center within the City. The City proposes to finance construction of the facility, as well as prior expenditures, through issuance Capital Improvement Plan Bonds (referred to as “CIP Bonds”) under the CIP Act and this CIP. The CIP Bonds are anticipated to be issued in 2028 in a principal amount not to exceed \$31,515,000.

2029 Expenditures

None contemplated at this time.

2030 Expenditures

None contemplated at this time.

The CIP Act requires the City Council to consider eight factors in preparing the CIP and authorizing the issuance of general obligation bonds to finance Capital Improvements thereunder:

1. the condition of the municipality's existing infrastructure, including the projected need for repair or replacement;
2. the likely demand for the improvement;
3. the estimated cost of the improvement;
4. the available public resources;
5. the level of overlapping debt in the municipality;
6. the relative benefits and costs of alternative uses of the funds;
7. operating costs of the proposed improvements; and
8. alternatives for providing services most efficiently through shared facilities with other municipalities or local government units.

The City has considered these eight factors as they relate to construction of the City Project and the issuance of the CIP Bonds. The findings are as follows.

Conditions of City Infrastructure and Need for the Project

The City hired Oertel Architects to conduct a space needs study. The study evaluated current facility conditions and explored options for replacement and ongoing space needs.

The City has undertaken extensive rehabilitation projects to extend the life of the 55-year-old building; however, the last project was completed in 2005. A facility study concluded that repair options have been exhausted and that the building should be replaced. The facility is not compliant with current accessibility standards, has significant deterioration of reinforcing steel, is situated on a site contaminated by past industrial uses, and no longer allows the City to serve its residents efficiently.

Demand for Project

The City has a responsibility to deliver services that provide for the safety, health, and welfare of residents and their property. To serve residents and to do their jobs efficiently and safely, City employees need adequate facilities. The City's existing maintenance facilities are deficient and unable to meet the current and future needs of the Public Works Department.

In considering the new facility, the City Council also recognizes that the demand for city services is expected to grow. Also, anticipated future development will place more pressure on municipal facilities. These factors create demand for larger and more functional space.

Estimated Cost of the Projects

The City Project is estimated to cost \$33,820,000 which includes all the costs of issuance, City's \$2,305,000 cash contribution, and any capitalized interest. Bonds issued under this CIP will not exceed a par amount of \$31,515,000.

Availability of Public Resources

The City will bring \$2,305,000 of existing fund balance and grant funding to pay for a portion of the City Project. \$31,515,000 in CIP Bonds will fund the remainder of the project. Debt service will be paid with ad valorem taxes. However, the CIP Bonds will be additionally secured by the City's full faith and credit, which is expected to produce lower interest rates on the CIP Bonds compared to the limited, other options available to finance this type of project.

Level of Underlying Debt

Below is a chart with the debt of other taxing jurisdictions in the City.

Taxing District	Taxable Net Tax Capacity	% in City	Total G.O. Debt	City's Share
Anoka County	\$635,859,657	4.205%	\$38,315,000	\$1,611,261
I.S.D. No. 13 (Columbia Heights)	36,689,655	72.881%	30,221,769	22,026,048
Anoka County Railroad Authority	635,859,657	4.205%	1,435,000	60,346
Metropolitan Council	6,503,726,905	0.411%	261,560,000	1,075,273
City's Total Share of Overlapping Debt				\$24,772,928

Relative Costs and Benefits of Alternative Uses of the Funds

There are no significant alternatives for funds designated for the City Project. These are high priority due to the age of the various facilities and the recent challenges of the supply chain for some of the materials needed for the projects. The condition of the current facilities makes the project necessary for the City.

Operating Costs of the Proposed Improvements

The proposed facility will replace an existing one so operating costs in the short term will remain relatively stable. The efficiencies gained by the new facility will be offset by higher operating costs for the larger facility.

Alternatives for Shared Facilities with Other Cities or Local Government

Given the nature and location of the proposed facility, the opportunities for sharing of the facility with other Cities or Local Governments were limited. It is not anticipated that this facility will be shared with others.

V. FINANCING

The aggregate principal amount of CIP Bonds to be issued under this CIP, in one or more series, at one time or from time to time, shall not exceed \$31,515,000. Principal and interest on the CIP Bonds will be paid through a tax levy over the term of the CIP Bonds and/or other monies, further shown in Appendix A.

In the financing of the Capital Improvement Plan, two significant statutory limitations apply.

- 1) Under Minnesota Statutes, Chapter 475, as amended, with few exceptions, municipalities cannot incur debt more than 3% of the assessor's estimated market value for the municipality. In the City, the estimated market value is \$2,299,888,900. Therefore, the total amount of outstanding debt cannot exceed \$68,996,667 (these values are for 2025/26 tax year). As of May, 2026, the City has \$11,570,000 subject to the legal debt limit. The amount attributable to this CIP \$31,515,000. As such, issuance of the CIP Bonds will be well within the overall statutory debt limit for the City.

2) A separate limitation under the CIP Act is that, without referendum, the total amount of principal and interest in any one year on all CIP Bonds issued by the City cannot exceed 0.16% of the total estimated market value in the municipality. In the City, that maximum annual debt service amount is \$3,679,822 for the 2025/26 tax year ($\$2,299,888,900 \times .0016$). The City does not currently have any debt subject to this limit. The maximum annual principal and interest payments on the CIP Bonds proposed is \$2,237,928. As such, debt service on the CIP Bonds will be within the annual limits under the CIP Act.

Details regarding the proposed terms of the CIP Bonds under this CIP are shown in Appendix A. Level debt service options are being presented. The bond amount will not exceed the maximum principal amount of CIP Bonds referred to above. A schedule of events for approval of the CIP and issuance of the CIP Bonds is shown in Appendix B.

VI. PLAN CONTINUATION

The City should review and update this CIP as needed, using the process outlined in this document.

APPENDIX A

Proposed CIP Bond Issue:

City of Columbia Heights, Minnesota

\$31,515,000 General Obligation CIP Bonds, Series 2028
 Assumes Current Market NonBQ "AA" Market Rates plus 50bps
 25 Years

Sources & Uses

Dated 04/01/2028 | Delivered 04/01/2028

Sources Of Funds

Par Amount of Bonds	\$31,515,000.00
Total Sources	\$31,515,000.00

Uses Of Funds

Total Underwriter's Discount (0.800%)	252,120.00
Costs of Issuance	150,000.00
Deposit to Capitalized Interest (CIF) Fund	1,110,466.67
Deposit to Project Construction Fund	30,000,000.00
Rounding Amount	2,413.33
Total Uses	\$31,515,000.00

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	105% of Total
02/01/2029	-	-	1,110,466.67	1,110,466.67	(1,110,466.67)	-	-
02/01/2030	795,000.00	2.750%	1,332,560.00	2,127,560.00	-	2,127,560.00	2,233,938.00
02/01/2031	820,000.00	2.850%	1,310,697.50	2,130,697.50	-	2,130,697.50	2,237,232.38
02/01/2032	840,000.00	2.950%	1,287,327.50	2,127,327.50	-	2,127,327.50	2,233,693.88
02/01/2033	865,000.00	3.050%	1,262,547.50	2,127,547.50	-	2,127,547.50	2,233,924.88
02/01/2034	895,000.00	3.150%	1,236,165.00	2,131,165.00	-	2,131,165.00	2,237,723.25
02/01/2035	920,000.00	3.200%	1,207,972.50	2,127,972.50	-	2,127,972.50	2,234,371.13
02/01/2036	950,000.00	3.300%	1,178,532.50	2,128,532.50	-	2,128,532.50	2,234,959.13
02/01/2037	980,000.00	3.400%	1,147,182.50	2,127,182.50	-	2,127,182.50	2,233,541.63
02/01/2038	1,015,000.00	3.500%	1,113,862.50	2,128,862.50	-	2,128,862.50	2,235,305.63
02/01/2039	1,050,000.00	3.650%	1,078,337.50	2,128,337.50	-	2,128,337.50	2,234,754.38
02/01/2040	1,090,000.00	3.800%	1,040,012.50	2,130,012.50	-	2,130,012.50	2,236,513.13
02/01/2041	1,130,000.00	3.900%	998,592.50	2,128,592.50	-	2,128,592.50	2,235,022.13
02/01/2042	1,175,000.00	4.000%	954,522.50	2,129,522.50	-	2,129,522.50	2,235,998.63
02/01/2043	1,220,000.00	4.150%	907,522.50	2,127,522.50	-	2,127,522.50	2,233,898.63
02/01/2044	1,270,000.00	4.350%	856,892.50	2,126,892.50	-	2,126,892.50	2,233,237.13
02/01/2045	1,325,000.00	4.550%	801,647.50	2,126,647.50	-	2,126,647.50	2,232,979.88
02/01/2046	1,390,000.00	4.650%	741,360.00	2,131,360.00	-	2,131,360.00	2,237,928.00
02/01/2047	1,450,000.00	4.750%	676,725.00	2,126,725.00	-	2,126,725.00	2,233,061.25
02/01/2048	1,520,000.00	4.800%	607,850.00	2,127,850.00	-	2,127,850.00	2,234,242.50
02/01/2049	1,595,000.00	4.850%	534,890.00	2,129,890.00	-	2,129,890.00	2,236,384.50
02/01/2050	1,670,000.00	4.900%	457,532.50	2,127,532.50	-	2,127,532.50	2,233,909.13
02/01/2051	1,755,000.00	4.950%	375,702.50	2,130,702.50	-	2,130,702.50	2,237,237.63
02/01/2052	1,840,000.00	4.950%	288,830.00	2,128,830.00	-	2,128,830.00	2,235,271.50
02/01/2053	1,930,000.00	5.000%	197,750.00	2,127,750.00	-	2,127,750.00	2,234,137.50
02/01/2054	2,025,000.00	5.000%	101,250.00	2,126,250.00	-	2,126,250.00	2,232,562.50
Total	\$31,515,000.00	-	\$22,806,731.67	\$54,321,731.67	(1,110,466.67)	\$53,211,265.00	\$55,871,828.25

APPENDIX B

CIP Schedule

Dated May 26, 2026, for the CIP and Sale of G.O. Capital Improvement Plan Bonds

The City Council must take the following actions before the Bonds can be issued:

- City Council directs preparation of a 5-Year Capital Improvement Plan (CIP).
- City Council conducts a Public Hearing on issuance of Bonds and CIP.
- City Council approves Bonds and CIP by at least a 3/5 vote of the governing body membership.

The table below lists the steps in the issuing process:

DATE	TASK(S)
5/26/26 @ 6:00pm	Public Hearing on issuance of Bonds and the CIP, and adopt resolution giving preliminary approval for Bond issuance and on the CIP by at least 3/5 vote of the governing body membership.
6/25/26	Reverse referendum period ends (within 30 days of the public hearing).
Q1 2028	Bond Sale Process
Q2 2028	Building Construction