

REVISED May 28, 2025, to reflect Pay 2025 values and the project cost based on the construction bid

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

City of New Prague, Minnesota

2025 - 2029



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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 New Prague (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.

PURPOSE

A 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 engages in adoption of a comprehensive capital improvement plan for city-wide capital

expenditures annually 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 municipality 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.

PLANNING PROCESS

The City Council annually reviews its capital expenditures according to their priority, fiscal impact, and available funding as part of its budgeting process. The City assembles 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 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 issuance of the CIP Bonds to obtain public comment on the matter. Notice of such hearing must be published in the official newspaper of the municipality at least 14, 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 a 3/5ths vote of its membership. However, issuance of CIP Bonds is also subject to 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 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 maximum debt service in any year on all City CIP Bonds outstanding and proposed to be issued is an amount equal to 0.16% of the estimated market value of property in the city, using the market value for the taxes-payable year in which the bonds are issued.

After the CIP has been approved and general obligation 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 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.

II. PROJECT SUMMARY

The Capital Improvements to be undertaken with this CIP for the years 2025 to 2029 are limited to the expenditures listed below. All other foreseeable capital expenditures within the City government will be funded through other means as identified within the City's annual budgeting process.

2025 Expenditures

Construction of a new police facility within the City. The City proposes to finance the construction of the police facility 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 2025, in a principal amount not to exceed \$11,000,000.

2026 Expenditures

None contemplated at this time.

2027 Expenditures

None contemplated at this time.

2028 Expenditures

None contemplated at this time.

2029 Expenditures

None contemplated at this time.

III. FACTORS OF CONSIDERATION

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

1. Condition of the City's existing infrastructure, including projected need for repair or replacement.
2. Likely demand for the improvement.
3. Estimated cost of the improvement.
4. Available public resources.
5. Level of overlapping debt in the City.
6. Relative benefits and costs of alternative uses of funds.
7. Operating costs of the proposed improvement.
8. Alternatives for providing services most efficiently through shared facilities with other cities or local governments.

The City has considered the eight points as they relate to the aforementioned capital improvement and the issuance of CIP Bonds. The findings are as follows:

Conditions of City Infrastructure and Need for the Project

The City continues to experience exponential growth, and the police department continues to grow proportionally to its service area. This necessitates a larger and more functional facility. A facilities study was conducted which showed the need for a new police facility. This need stems from a cramped working space, inadequate evidence area, a locker room / changing area that has little to no space and a shower that is not operational, and a poor meeting / interrogation space, among other deficiencies.

The proposed facility would meet the current needs of the department and allow for future expansion.

Demand for the Project

The City continues to experience exponential growth given the undeveloped land in the City well-positioned for residential development. Population growth models forecast the City will continue to grow and is projected to have a population of 9,600 in 2030 and 11,874 by 2040. Due to the growth and the resulting increased demand for services, the City Council has determined a need for the new police facility.

As the City continues to grow and more demands for services are required, the City has a responsibility to deliver these services for the safety, health, and welfare of the community. The Capital Improvements identified in this CIP are required to adequately provide services to residents and businesses over the next 15-20 years.

Estimated Cost of the Projects

The cost of the capital improvement project to be financed is estimated to be approximately \$11 million inclusive of hard and soft costs for construction.

Availability of Public Resources

The City intends to finance the Capital Improvement through issuance of General Obligation CIP Bonds in an aggregate principal amount of up to \$11,000,000. *Note: the anticipated bond amount includes estimates for cost of issuance, capitalized interest, and underwriter discount.* Given the estimated costs of the police facility, debt is necessary to finance the costs and preserve necessary operating resources. The City may consider leveraging reserves to reduce the amount of debt for the Capital Improvements.

Level of Overlapping Debt

<u>Taxing Unit(1)</u>	<u>2023/24 Adjusted Taxable Net Tax Capacity</u>	<u>Est. G.O. Debt As of 6-6-24(2)</u>	<u>Debt Applicable to Tax Capacity in City</u>	
			<u>Percent</u>	<u>Amount</u>
Le Sueur County	\$ 59,041,870	\$ 36,095,000	8.0%	\$ 2,887,600
Scott County	318,207,331	96,455,000	2.1	2,025,555
ISD No. 721 (New Prague)	34,057,706	66,665,000	33.4	<u>22,266,110</u>
Total				\$27,179,265

(1) Only those units with outstanding general obligation debt are shown here.

(2) Excludes general obligation tax and aid anticipation certificates and revenue-supported debt.

Relative Costs and Benefits of Alternative Uses of the Funds

The current space limitations, functional obsolescence, and inadequate layout for police services necessitate capital investments by the City over the next 5 years. There are no significant alternative uses of funds that would provide the same long-term solution for the capital improvement project designated in this CIP.

Operating Costs of the Proposed Improvements

The annual operating costs for the proposed capital improvement project will increase in 2026 when the police facility becomes operational but will remain relatively stable thereafter. All other operating costs have been accounted for and considered within the City's operating budget.

Options for Shared Facilities with Other Cities or Local Government

The City determined that utilizing shared facilities with adjacent cities was not a viable alternative to the City's plans to expand and bolster fire, police, and city services.

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 \$11,000,000. Principal and interest on the CIP Bonds will be paid through a tax levy over the term of the CIP Bonds, further shown in Appendix A.

In financing the CIP, two significant statutory limitations apply. First, under Chapter 475, cities cannot incur debt that is to be repaid solely with property taxes, in an aggregate amount exceeding 3% of the

assessor's estimated market value (EMV) of the municipality. Since the EMV for Pay 2025 is \$1,113,332,600, the total amount of outstanding debt cannot exceed \$33,399,978. As of May 28, 2025, the City has \$1,939,000 subject to the statutory debt limit. Adding an additional \$11,000,000 of CIP Bonds, therefore, will leave the City with approximately \$20.46 million of unused statutory debt capacity.

Second, the CIP Act specifies that the total amount of principal and interest payable in any single calendar year on all CIP Bonds issued by the City cannot exceed 0.16% of the City's total estimated market value. Using the EMV above, the City's maximum CIP Bond debt service is therefore \$1,781,332.

The highest cumulative annual amount of debt service payments on the City's existing CIP Bonds plus the proposed new CIP Bonds will not exceed the maximum annual limit under the CIP Act.

IV. PLAN CONTINUATION

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

APPENDIX A

Sources & Uses

Dated 08/19/2025 | Delivered 08/19/2025

Sources Of Funds

Par Amount of Bonds	\$10,415,000.00
Planned Issuer Equity contribution	60,000.00
Total Sources	\$10,475,000.00

Uses Of Funds

Total Underwriter's Discount (1.100%)	114,565.00
Costs of Issuance	82,000.00
Deposit to Project Construction Fund	10,273,950.00
Rounding Amount	4,485.00
Total Uses	\$10,475,000.00

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
08/19/2025	-	-	-	-	-
08/01/2026	-	-	418,807.50	418,807.50	-
02/01/2027	20,000.00	2.900%	220,425.00	240,425.00	659,232.50
08/01/2027	-	-	220,135.00	220,135.00	-
02/01/2028	220,000.00	2.900%	220,135.00	440,135.00	660,270.00
08/01/2028	-	-	216,945.00	216,945.00	-
02/01/2029	225,000.00	2.950%	216,945.00	441,945.00	658,890.00
08/01/2029	-	-	213,626.25	213,626.25	-
02/01/2030	230,000.00	3.000%	213,626.25	443,626.25	657,252.50
08/01/2030	-	-	210,176.25	210,176.25	-
02/01/2031	240,000.00	3.000%	210,176.25	450,176.25	660,352.50
08/01/2031	-	-	206,576.25	206,576.25	-
02/01/2032	245,000.00	3.100%	206,576.25	451,576.25	658,152.50
08/01/2032	-	-	202,778.75	202,778.75	-
02/01/2033	250,000.00	3.150%	202,778.75	452,778.75	655,557.50
08/01/2033	-	-	198,841.25	198,841.25	-
02/01/2034	260,000.00	3.250%	198,841.25	458,841.25	657,682.50
08/01/2034	-	-	194,616.25	194,616.25	-
02/01/2035	270,000.00	3.350%	194,616.25	464,616.25	659,232.50
08/01/2035	-	-	190,093.75	190,093.75	-
02/01/2036	280,000.00	3.450%	190,093.75	470,093.75	660,187.50
08/01/2036	-	-	185,263.75	185,263.75	-
02/01/2037	285,000.00	3.550%	185,263.75	470,263.75	655,527.50
08/01/2037	-	-	180,205.00	180,205.00	-
02/01/2038	295,000.00	3.700%	180,205.00	475,205.00	655,410.00
08/01/2038	-	-	174,747.50	174,747.50	-
02/01/2039	310,000.00	3.800%	174,747.50	484,747.50	659,495.00
08/01/2039	-	-	168,857.50	168,857.50	-
02/01/2040	320,000.00	4.300%	168,857.50	488,857.50	657,715.00
08/01/2040	-	-	161,977.50	161,977.50	-
02/01/2041	335,000.00	4.300%	161,977.50	496,977.50	658,955.00
08/01/2041	-	-	154,775.00	154,775.00	-
02/01/2042	350,000.00	4.300%	154,775.00	504,775.00	659,550.00
08/01/2042	-	-	147,250.00	147,250.00	-
02/01/2043	365,000.00	4.400%	147,250.00	512,250.00	659,500.00
08/01/2043	-	-	139,220.00	139,220.00	-
02/01/2044	380,000.00	4.500%	139,220.00	519,220.00	658,440.00
08/01/2044	-	-	130,670.00	130,670.00	-
02/01/2045	395,000.00	4.550%	130,670.00	525,670.00	656,340.00
08/01/2045	-	-	121,683.75	121,683.75	-
02/01/2046	415,000.00	4.600%	121,683.75	536,683.75	658,367.50
08/01/2046	-	-	112,138.75	112,138.75	-
02/01/2047	435,000.00	4.650%	112,138.75	547,138.75	659,277.50
08/01/2047	-	-	102,025.00	102,025.00	-
02/01/2048	455,000.00	4.650%	102,025.00	557,025.00	659,050.00
08/01/2048	-	-	91,446.25	91,446.25	-
02/01/2049	475,000.00	4.700%	91,446.25	566,446.25	657,892.50
08/01/2049	-	-	80,283.75	80,283.75	-
02/01/2050	495,000.00	4.700%	80,283.75	575,283.75	655,567.50
08/01/2050	-	-	68,651.25	68,651.25	-
02/01/2051	520,000.00	4.750%	68,651.25	588,651.25	657,302.50
08/01/2051	-	-	56,301.25	56,301.25	-
02/01/2052	545,000.00	4.750%	56,301.25	601,301.25	657,602.50
08/01/2052	-	-	43,357.50	43,357.50	-
02/01/2053	570,000.00	4.800%	43,357.50	613,357.50	656,715.00
08/01/2053	-	-	29,677.50	29,677.50	-
02/01/2054	600,000.00	4.800%	29,677.50	629,677.50	659,355.00
08/01/2054	-	-	15,277.50	15,277.50	-
02/01/2055	630,000.00	4.850%	15,277.50	645,277.50	660,555.00
Total	\$10,415,000.00	-	\$8,674,427.50	\$19,089,427.50	-