

# **Finance Plan**

**City of Spring Lake Park, Minnesota**

**\$8,210,000**

**General Obligation Capital Improvement Plan  
Bonds, Series 2024A**

**February 5, 2024**



150 South 5th Street, Suite 3300

Minneapolis, MN 55402

612-851-5900 800-851-2920

[www.northlandsecurities.com](http://www.northlandsecurities.com)

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## Executive Summary

The following is a summary of the recommended terms for the issuance of \$8,210,000 General Obligation Capital Improvement Plan Bonds, Series 2024A (the "Bonds" or "2024A Bonds"). Additional information on the proposed finance plan and issuing process can be found after the Executive Summary, in the Issue Overview and Attachment 3 – Related Considerations.

<b>Purpose</b>	Proceeds from the Bonds will be used to finance the renovation and expansion of the existing City Hall and Police facility.
<b>Security</b>	The Bonds will be a general obligation of the City. The City will pledge ad valorem taxes for payment of the Bonds.
<b>Repayment Term</b>	The Bonds will mature annually each February 1 in the years 2026 - 2045. Interest on the Bonds will be payable on February 1, 2025 and semiannually thereafter on each August 1 and February 1.
<b>Estimated Interest Rate</b>	Average coupon: 3.63% True interest cost (TIC): 3.74%
<b>Prepayment Option</b>	Bonds maturing on and after February 1, 2033 will be subject to redemption on February 1, 2032 and any day thereafter at a price of par plus accrued interest.
<b>Rating</b>	A rating will be requested from Standard and Poor's (S&P). The City's general obligation debt is currently rated "AA" by S&P.
<b>Tax Status</b>	The Bonds will be tax-exempt, bank qualified obligations.
<b>Risk Factors</b>	There are certain risks associated with all debt. Risk factors related to the Bonds are discussed in Attachment 5.
<b>Type of Bond Sale</b>	Public Sale – Competitive Bids
<b>Proposals Received</b>	Monday, March 4, 2024 @ 10:00 A.M.
<b>Council Consideration</b>	Monday, March 4, 2024 @ 7:00 P.M.

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## Issue Overview

### Purpose

Proceeds from the Bonds will be used to finance the renovation and expansion of the existing City Hall and Police facility. The table below contains the sources and uses of funds for the bond issue.

<b>Sources Of Funds</b>	
Par Amount of Bonds	\$8,210,000.00
<b>Total Sources</b>	<b>\$8,210,000.00</b>
<b>Uses Of Funds</b>	
Deposit to Project Construction Fund	7,800,000.00
Deposit to Capitalized Interest (CIF) Fund	236,677.19
Total Underwriter's Discount (1.250%)	102,625.00
Costs of Issuance	70,540.00
Rounding Amount	157.81
<b>Total Uses</b>	<b>\$8,210,000.00</b>

### Authority

The Bonds will be issued pursuant to the authority of Minnesota Statutes, Chapter 475.521 (the "Act"). Under the Act, a capital improvement is a major expenditure of City funds for the acquisition or betterment of public lands, buildings, or other improvements used, such as a city hall, library, public safety, or public works facility, which has a useful life of five years or more.

Before issuing bonds under a Capital Improvement Plan ("CIP"), the City must hold a public hearing on the CIP and the proposed bonds, and must then approve the CIP and authorize the issuance of the bonds by at least a 3/5 majority.

If a petition signed by voters equal to at least 5 percent of the votes cast in the last general election requesting a vote on the issuance of bonds is received by the clerk within 30 days after the public hearing, then the bonds may not be issued unless approved by the voters at an election. The Calendar of Events provided in Attachment 4 indicates that the Bonds will not be priced until after the 30-day period has expired.

### Structure

The Bonds have been structured to result in relatively level annual debt service payments over the life of the Bonds.

The proposed structure for the bond issue and preliminary debt service projections are illustrated in Attachment 1.

### Security and Source of Repayment

The Bonds will be general obligations of the City. The finance plan relies on the following assumptions for the revenues used to pay debt service, as provided by City staff:

- Property Taxes. The revenues needed to pay debt service on the Bonds are expected to come from property tax levies. The initial projections show an annual tax levy, averaging \$613,000 annually, is needed, which includes the statutory requirement of 105% of debt service. The levy will be adjusted annually. The initial tax levy will be made in 2024 for taxes payable in 2025.

The table in Attachment 2 shows the estimated flow of funds, including the 5% overlevy.

### Plan Rationale

The Finance Plan recommended in this report is based on a variety of factors and information provided by the City related to the financed projects and City objectives, Northland's knowledge

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of the City and our experience in working with similar cities and projects. The issuance of General Obligation Capital Improvement Plan Bonds provides the best means of achieving the City's objectives and cost effective financing. The City has successfully issued and managed this type of debt for previous projects.

### **Issuing Process**

Northland will receive bids to purchase the Bonds on Monday, March 4, 2024 at 10:00 AM. Market conditions and the marketability of the Bonds support issuance through a competitive sale. This process has been chosen as it is intended to produce the lowest combination of interest expense and underwriting expense on the date and time set to receive bids. The calendar of events for the issuing process can be found in Attachment 4.

**Municipal Advisor:** Northland Securities, Inc., Minneapolis, Minnesota

**Bond Counsel:** Kennedy & Graven, Chartered, Minneapolis, Minnesota

**Paying Agent:** Northland Trust Services, Inc., Minneapolis, Minnesota

## Attachment 1 – Preliminary Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/02/2024	-	-	-	-	-
02/01/2025	-	-	236,677.19	236,677.19	236,677.19
08/01/2025	-	-	142,481.25	142,481.25	-
02/01/2026	300,000.00	3.050%	142,481.25	442,481.25	584,962.50
08/01/2026	-	-	137,906.25	137,906.25	-
02/01/2027	310,000.00	2.950%	137,906.25	447,906.25	585,812.50
08/01/2027	-	-	133,333.75	133,333.75	-
02/01/2028	320,000.00	2.950%	133,333.75	453,333.75	586,667.50
08/01/2028	-	-	128,613.75	128,613.75	-
02/01/2029	325,000.00	2.950%	128,613.75	453,613.75	582,227.50
08/01/2029	-	-	123,820.00	123,820.00	-
02/01/2030	335,000.00	2.950%	123,820.00	458,820.00	582,640.00
08/01/2030	-	-	118,878.75	118,878.75	-
02/01/2031	345,000.00	3.000%	118,878.75	463,878.75	582,757.50
08/01/2031	-	-	113,703.75	113,703.75	-
02/01/2032	355,000.00	3.100%	113,703.75	468,703.75	582,407.50
08/01/2032	-	-	108,201.25	108,201.25	-
02/01/2033	370,000.00	3.200%	108,201.25	478,201.25	586,402.50
08/01/2033	-	-	102,281.25	102,281.25	-
02/01/2034	380,000.00	3.300%	102,281.25	482,281.25	584,562.50
08/01/2034	-	-	96,011.25	96,011.25	-
02/01/2035	390,000.00	3.400%	96,011.25	486,011.25	582,022.50
08/01/2035	-	-	89,381.25	89,381.25	-
02/01/2036	405,000.00	3.500%	89,381.25	494,381.25	583,762.50
08/01/2036	-	-	82,293.75	82,293.75	-
02/01/2037	420,000.00	3.550%	82,293.75	502,293.75	584,587.50
08/01/2037	-	-	74,838.75	74,838.75	-
02/01/2038	435,000.00	3.600%	74,838.75	509,838.75	584,677.50
08/01/2038	-	-	67,008.75	67,008.75	-
02/01/2039	450,000.00	3.650%	67,008.75	517,008.75	584,017.50
08/01/2039	-	-	58,796.25	58,796.25	-
02/01/2040	465,000.00	3.700%	58,796.25	523,796.25	582,592.50
08/01/2040	-	-	50,193.75	50,193.75	-
02/01/2041	485,000.00	3.750%	50,193.75	535,193.75	585,387.50
08/01/2041	-	-	41,100.00	41,100.00	-
02/01/2042	500,000.00	3.800%	41,100.00	541,100.00	582,200.00
08/01/2042	-	-	31,600.00	31,600.00	-
02/01/2043	520,000.00	3.850%	31,600.00	551,600.00	583,200.00
08/01/2043	-	-	21,590.00	21,590.00	-
02/01/2044	540,000.00	3.900%	21,590.00	561,590.00	583,180.00
08/01/2044	-	-	11,060.00	11,060.00	-
02/01/2045	560,000.00	3.950%	11,060.00	571,060.00	582,120.00
<b>Total</b>	<b>\$8,210,000.00</b>	<b>-</b>	<b>\$3,702,864.69</b>	<b>\$11,912,864.69</b>	<b>-</b>

### Yield Statistics

Bond Year Dollars	\$102,013.86
Average Life	12.426 Years
Average Coupon	3.6297662%
Net Interest Cost (NIC)	3.7303653%
True Interest Cost (TIC)	3.7358234%
Bond Yield for Arbitrage Purposes	3.6048259%
All Inclusive Cost (AIC)	3.8272287%

### IRS Form 8038

Net Interest Cost	3.6297662%
Weighted Average Maturity	12.426 Years

### Optional Redemption

02/01/2032	@100.000%
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## Attachment 2 – Preliminary 105% Levy Schedule

<b>Date</b>	<b>Total P+I</b>	<b>CIF</b>	<b>105% Levy</b>	<b>Levy Year</b>	<b>Collection Year</b>
02/01/2025	236,677.19	(236,677.19)	-	-	-
02/01/2026	584,962.50	-	614,210.63	2024	2025
02/01/2027	585,812.50	-	615,103.13	2025	2026
02/01/2028	586,667.50	-	616,000.88	2026	2027
02/01/2029	582,227.50	-	611,338.88	2027	2028
02/01/2030	582,640.00	-	611,772.00	2028	2029
02/01/2031	582,757.50	-	611,895.38	2029	2030
02/01/2032	582,407.50	-	611,527.88	2030	2031
02/01/2033	586,402.50	-	615,722.63	2031	2032
02/01/2034	584,562.50	-	613,790.63	2032	2033
02/01/2035	582,022.50	-	611,123.63	2033	2034
02/01/2036	583,762.50	-	612,950.63	2034	2035
02/01/2037	584,587.50	-	613,816.88	2035	2036
02/01/2038	584,677.50	-	613,911.38	2036	2037
02/01/2039	584,017.50	-	613,218.38	2037	2038
02/01/2040	582,592.50	-	611,722.13	2038	2039
02/01/2041	585,387.50	-	614,656.88	2039	2040
02/01/2042	582,200.00	-	611,310.00	2040	2041
02/01/2043	583,200.00	-	612,360.00	2041	2042
02/01/2044	583,180.00	-	612,339.00	2042	2043
02/01/2045	582,120.00	-	611,226.00	2043	2044
<b>Total</b>	<b>\$11,912,864.69</b>	<b>(236,677.19)</b>	<b>\$12,259,996.88</b>		

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## Attachment 3 – Related Considerations

### Bank Qualification

We understand the City (in combination with any subordinate taxing jurisdictions or debt issued in the City's name by 501(c)3 corporations) anticipates issuing \$10,000,000 or less in tax-exempt debt during this calendar year. Therefore the Bonds will be designated as "bank qualified" obligations pursuant to Federal Tax Law.

### Arbitrage Compliance

The Bonds are expected to qualify for the "18-month spending" exemption related to arbitrage rebate.

Other aspects of arbitrage regulations will apply to the investment of bond proceeds and the debt service fund.

The City should become familiar with the various Arbitrage Compliance requirements for this bond issue. The Resolution for the Bonds prepared by Bond Counsel explains the requirements in greater detail.

### Continuing Disclosure

Type: Limited

Dissemination Agent: Northland Securities

The requirements for continuing disclosure are governed by SEC Rule 15c2-12. The primary requirements of Rule 15c2-12 actually fall on underwriters. The Rule sets forth due diligence needed prior to the underwriter's purchase of municipal securities. Part of this requirement is obtaining commitment from the issuer to provide continuing disclosure. The document describing the continuing disclosure commitments (the "Undertaking") is contained in the Official Statement that will be prepared to offer the Bonds to investors.

The City has less than \$10,000,000 of outstanding debt and will provide "limited" continuing disclosure. Historically, limited disclosure only required that certain information be provided upon request. The 2010 amendments to the Rule added the provision that issuers must annually provide financial information and operating data which is customarily prepared by the issuer and is publicly available. Issuers must also report certain "material events." Material events set forth in the Rule, including, but not limited to, bond rating changes, call notices, and the issuance of "financial obligations" (such as PFA loans, leases, or bank placements) must be reported within ten days of occurrence. Northland currently serves as dissemination agent for the City. We assist with getting your annual report filed in compliance with limited continuing disclosure regulations.

### Premiums

In the current market environment, it is likely that bids received from underwriters will include premiums. A premium bid occurs when the purchaser pays the City an amount in excess of the par amount of a maturity in exchange for a higher coupon (interest rate). The use of premiums reflects the bidder's view on future market conditions, tax considerations for investors and other factors. Ultimately, the true interest cost ("TIC") calculation will determine the lowest bid, regardless of premium.



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A premium bid produces additional funds that can be used in several ways:

- The premium means that the City needs less bond proceeds and can reduce the size of the issue by the amount of the premium.
- The premium can be deposited in the Construction Fund and used to pay additional project costs, rather than used to reduce the size of the issue.
- The premium can be deposited in the Debt Service Fund and used to pay principal and interest.

Northland will work with City staff on the sale day to determine use of premium (if any).

### **Rating**

A rating will be requested from Standard and Poor's (S&P). The City's general obligation debt is currently rated "AA" by S&P. The rating process will include a conference call with the rating analyst. Northland will assist City staff in preparing for and conducting the rating call.

## Attachment 4 - Calendar of Events

January 2024						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

February 2024						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29		

March 2024						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

April 2024						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

	Holiday
	Important Date

Date	Action	Responsible Party
December 18, 2023	Public Hearing - Resolution Approving the CIP	<b>City Council Action</b> , Bond Counsel, Northland
January 18, 2024	30-day Public Comment Period Over	
January 19, 2024	Preliminary Official Statement Sent to City for Sign Off and to Rating Agency	Northland, City Staff
January 29, 2024	Set Sale Resolution Sent to City for Council Packets Finance Plan Sent to the City	Northland, Bond Counsel
February 5, 2024	Set Sale Resolution for Bonds Adopted Review of Finance Plan	<b>City Council Action</b> , Bond Counsel
Week of February 12, 2024	Rating Conference Call	Northland, City Staff, Rating Agency
February 23, 2024	Rating Received	Rating Agency, City Staff, Northland
February 26, 2024	Awarding Resolution sent to the City	Northland, Bond Counsel
March 4, 2024	Bond Sale 10:00 a.m.  Awarding Resolution Adopted - 7:00 p.m.	<b>City Council Action</b> , Northland, Bond Counsel
April 2, 2024	Closing on the Bonds (proceeds available)	City Staff, Northland, Bond Counsel

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## Attachment 5 - Risk Factors

Property Taxes: Property tax levies shown in this Finance Plan are based on projected debt service and other revenues. Final levies will be set based on the results of sale. Levies should be reviewed annually and adjusted as needed. The debt service levy must be included in the preliminary levy for annual Truth in Taxation hearings. Future Legislative changes in the property tax system, including the imposition of levy limits and changes in calculation of property values, would affect plans for payment of debt service. Delinquent payment of property taxes would reduce revenues available to pay debt service.

General: In addition to the risks described above, there are certain general risks associated with the issuance of bonds. These risks include, but are not limited to:

- Failure to comply with covenants in bond resolution.
- Failure to comply with Undertaking for continuing disclosure.
- Failure to comply with IRS regulations, including regulations related to use of the proceeds and arbitrage/rebate. The IRS regulations govern the ability of the City to issue its bonds as tax-exempt securities and failure to comply with the IRS regulations may lead to loss of tax-exemption.