

**NOTICE OF PUBLIC HEARING REGARDING A STREET RECONSTRUCTION PLAN AND
THE ISSUANCE OF BONDS THEREUNDER**

NOTICE IS HEREBY GIVEN that the City Council of the City of Owatonna, Minnesota (the "City"), will hold a public hearing on Tuesday, September 2, 2025, at or after 7:00 p.m. in Chambers of the Charles S. Crandall Center located at 540 West Hills Circle in the City, relating to a proposal concerning (1) the adoption of a five-year street reconstruction and overlay plan for years 2025 through 2029 (the "Plan"); and (2) the issuance of general obligation bonds (the "Bonds") under the Plan to finance the reconstruction and overlay of certain streets in the City, all pursuant to Minnesota Statutes, Section 475.58, subdivision 3b, as amended. The Bonds will be issued in a principal amount not to exceed \$1,800,000, plus any premium received, and may be issued in one or more series. A draft copy of the Plan is on file with the City Administrator/City Clerk and is available for public inspection at City Hall during regular business hours.

If a petition requesting a vote on the issuance of the Bonds, signed by voters equal to 5 percent of the votes cast in the last City general election, is filed with the City Administrator/City Clerk within 30 days after the public hearing, the City may issue the Bonds only after obtaining approval of a majority of voters voting on the question at an election.

At the time and place fixed for the public hearing, the City Council will give all persons who appear at the hearing an opportunity to express their views with respect to the proposal. In addition, interested persons may direct any questions or file written comments respecting the proposal with the City Administrator/City Clerk, at or prior to said public hearing.

Dated: August 6, 2025

BY ORDER OF THE CITY COUNCIL OF
THE CITY OF OWATONNA, MINNESOTA

/s/ Kris M Busse

Kris. M. Busse, City Administrator/City Clerk
City of Owatonna, Minnesota

September 2, 2025

STREET RECONSTRUCTION PLAN IN CONNECTION WITH FINANCING THE LINN DRIVE SW FROM 18TH ST SW TO OAKDALE DR SW, OAKDALE STREET, RIDGE VIEW PLACE NW, RIDGE ROAD NE FROM PARKVIEW PL NE TO LEONA PL NE, RIDGEWOOD PLACE NE, 10TH AVE NE, 11TH AVE NE FROM RIDGE RD NE TO CHERRY ST, COTTER PLACE, MARY PLACE, PRAIRIE LANE FROM RIDGE RD NE TO JERAKE PL NE, HIDDEN PLACE, JERAKE PLACE NE, LEONA PLACE AND 13TH ST NE FROM ST. PAUL RD TO 7TH AVE NE RECONSTRUCTION IMPROVEMENTS:

City of Owatonna, MN

2025-2029



Prepared by:

Ehlers
3060 Centre Pointe Drive
Roseville, Minnesota 55113

BUILDING COMMUNITIES. IT'S WHAT WE DO.

TABLE OF CONTENTS

- I. INTRODUCTION _____ 2
- II. PURPOSE _____ 2
- III. PLANNING PROCESS _____ 3
- IV. PROJECT SUMMARY _____ 4
- V. FINANCING _____ 4
- VI. PLAN CONTINUATION _____ 5
- APPENDIX A _____ 6
 - Plan Project Costs _____ 6
 - Proposed Street Reconstruction and Overlay Plan Bond Issue(s) _____ 6
- APPENDIX B _____ 7
 - Proposed SROP Bond Issue(s) _____ 7

I. INTRODUCTION

In 2002, the Minnesota State Legislature passed into law a bill that generally exempts city bonds issued under a street reconstruction plan 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 plan. The authorization is contained in Minnesota Statutes, Section 475.58, subdivision 3b (the “Act”).

II. PURPOSE

A street reconstruction plan 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 include but are not limited to: utility replacement and relocation and other activities incidental to the street reconstruction; the addition or reconstruction of turn lanes, bicycle lanes, sidewalks, paths, and other improvements having a substantial public safety function; realignments and 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, bicycle lanes, sidewalks, paths, and other safety improvements; realignments; intersection modifications; and the local share of state and county road projects, street reconstruction and bituminous overlays do *not* include the portion of project costs allocable to widening a street or adding curbs and gutters where none previously existed.

The Street Reconstruction and Overlay Plan (the “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. It allows the matching of expenditures with anticipated income. As potential expenditures are reviewed, the city considers the benefits, costs, alternatives, and impact on operating expenditures.

The City of Owatonna, Minnesota (the “City”) believes the street reconstruction and overlay 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.

III. PLANNING PROCESS

The City Council annually reviews its capital expenditures according to their priority, fiscal impact, and available funding as part of its Capital Improvement Plan (CIP) process. The City assembles the specific capital expenditures to be undertaken within the next five years. 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.

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.

If bonding is necessary, the City collaborates with its municipal advisor to prepare a bond sale and repayment schedule. Street reconstruction and overlay planning occurs separately from the CIP process focusing specifically on those 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 planned reconstruction or overlay of other streets in the City over the next five years.

For the City to use its authority under the Act to finance street reconstruction and bituminous overlay expenditures with general obligation bonds, it must meet the requirements provided therein.

Specifically, the City must hold a public hearing for public input on a the proposed SROP. Notice of such hearing must be published in the official newspaper at least ten, but not more than 28 days prior to the date of the

public hearing. In addition, the City Council must approve the SROP and issuance of bonds by a two-thirds majority vote of its membership present at the meeting following a public hearing. Although a referendum is not required, a reverse referendum is allowable. If a petition requesting a vote on the issuance of 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, a referendum vote on the issuance of the bonds shall be required to authorize the issuance. If a municipality elects not to submit the question to the voters, the municipality shall not propose the issuance of 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 expenditures to be undertaken with this 2025 to 2029 SROP are limited to those listed in Appendix A, to include the Linn Drive SW from 18th St SW to Oakdale Dr SW, Oakdale Street, Ridge View Place NW, Ridge Road NE from Parkview Pl NE to Leona Pl NE, Ridgewood Place NE, 10th Ave NE, 11th Ave NE from Ridge Rd NE to Cherry St, Cotter Place, Mary Place, Prairie Lane from Ridge Rd NE to Jerake Pl NE, Hidden Place, Jerake Place NE, Leona Place and 13th St NE from St. Paul Rd to 7th Ave NE Reconstruction Improvements. All other foreseeable capital expenditures within the City will come through other means or through an amendment to this SROP.

V. FINANCING

The project expenditures under this SROP are estimated at up to \$1,634,189.22. To fund these costs, the City plans to sell of general obligation SROP Bonds within the identified five-year period. The anticipated bond size of \$1,715,000 is based upon the estimated hard and soft costs for the projects, plus estimated issuance costs, any capitalized interest, and contingency. However, for the purpose of the SROP, the not to exceed amount for the bonds, including hard and soft costs for the projects, plus estimated issuance costs, any capitalized interest, and contingency, will be \$1,800,000.

The bonds may be issued in one or more series, at one time or from time to time. Principal and interest on the SROP bonds will be paid through a property tax levy and current estimates of size and repayment of the CIP Bonds under consideration may be found in in Appendix B.

In the financing of the SROP, one statutory limitation applies to the City. Under Minnesota Statutes, Chapter 475, with few exceptions, a local government cannot incur debt greater than 3% of the estimated market value (EMV) for its jurisdiction. In the City, the EMV for property tax payable in 2025 is \$3,141,726,600. Therefore, the total amount of outstanding debt cannot exceed \$94,251,798. At present, the City maintains about \$11,095,000 of debt subject to the limit. As such, issuance of the CIP Bonds will be within the overall statutory debt limit.

Net Debt Limit, Taxes Payable in 2025	
Estimated Market Value	3,141,726,600
Statutory Debt Limit Factor	3.0%
Statutory Debt Limit	94,251,798
Less: Debt Paid Solely from Taxes	(11,095,000)
Less: Proposed Bond Issue(s)	(1,715,000)
Unused Debt Limit	\$81,441,798

VI. PLAN CONTINUATION

This SROP should be reviewed annually as needed by the City Council using the process outlined in this document. It should review proposed expenditures, make priority decisions, and seek funding for those expenditures it deems necessary for the City. If deemed appropriate, the Council should prepare an update to this SROP.

APPENDIX A

Plan Project Costs

Project Costs by Year		
Year	Project	Amount
2025	Linn Drive SW from 18th St SW to Oakdale Dr SW, Oakdale Street, Ridge View Place NW, Ridge Road NE from Parkview PI NE to Leona PI NE, Ridgewood Place NE, 10th Ave NE, 11th Ave NE from Ridge Rd NE to Cherry St, Cotter Place, Mary Place, Prairie Lane from Ridge Rd NE to Jerake PI NE, Hidden Place, Jerake Place NE, Leona Place and 13th St NE from St. Paul Rd to 7th Ave NE Project	\$1,634,189.22
2026	None Planned	-
2027	None Planned	-
2028	None Planned	-
2029	None Planned	-
Total		\$1,634,189.22

Proposed Street Reconstruction and Overlay Plan Bond Issue(s)

Street Reconstruction and Overlay Bond Issues by Year	
Year	Amount
2025	\$1,715,000
2026	-
2027	-
2028	-
2029	-
Total	\$1,715,000

APPENDIX B

Proposed SROP Bond Issue(s)

Sources & Uses

Dated 10/30/2025 | Delivered 10/30/2025

Sources Of Funds

Par Amount of Bonds	\$1,715,000.00
Total Sources	\$1,715,000.00

Uses Of Funds

Total Underwriter's Discount (1.300%)	22,295.00
Costs of Issuance	56,000.00
Deposit to Project Construction Fund	1,634,189.22
Rounding Amount	2,515.78
Total Uses	\$1,715,000.00

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
10/30/2025	-	-	-	-	-
08/01/2026	-	-	44,722.53	44,722.53	-
02/01/2027	135,000.00	3.150%	29,705.00	164,705.00	209,427.53
08/01/2027	-	-	27,578.75	27,578.75	-
02/01/2028	155,000.00	3.150%	27,578.75	182,578.75	210,157.50
08/01/2028	-	-	25,137.50	25,137.50	-
02/01/2029	160,000.00	3.150%	25,137.50	185,137.50	210,275.00
08/01/2029	-	-	22,617.50	22,617.50	-
02/01/2030	165,000.00	3.150%	22,617.50	187,617.50	210,235.00
08/01/2030	-	-	20,018.75	20,018.75	-
02/01/2031	170,000.00	3.250%	20,018.75	190,018.75	210,037.50
08/01/2031	-	-	17,256.25	17,256.25	-
02/01/2032	175,000.00	3.350%	17,256.25	192,256.25	209,512.50
08/01/2032	-	-	14,325.00	14,325.00	-
02/01/2033	180,000.00	3.550%	14,325.00	194,325.00	208,650.00
08/01/2033	-	-	11,130.00	11,130.00	-
02/01/2034	185,000.00	3.700%	11,130.00	196,130.00	207,260.00
08/01/2034	-	-	7,707.50	7,707.50	-
02/01/2035	190,000.00	3.850%	7,707.50	197,707.50	205,415.00
08/01/2035	-	-	4,050.00	4,050.00	-
02/01/2036	200,000.00	4.050%	4,050.00	204,050.00	208,100.00
Total	\$1,715,000.00	-	\$374,070.03	\$2,089,070.03	-