

March 3, 2026

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

City of Owatonna, Minnesota

2026–2030



---

Prepared by:

City of Owatonna, Minnesota

and

Ehlers

---

BUILDING COMMUNITIES. IT'S WHAT WE DO.

# TABLE OF CONTENTS

I.	INTRODUCTION	2
II.	PURPOSE	2
III.	PLANNING PROCESS	2
IV.	PROJECT SUMMARY	4
V.	FINANCING	7
VI.	PLAN CONTINUATION	8
	APPENDIX A	9
	APPENDIX B	10

## I. INTRODUCTION

In 2003, the Minnesota State Legislature adopted Minnesota Statutes, Section 475.521 (the “CIP Act”), which allows municipalities to issue bonds under a Capital Improvement Plan (the “CIP”) without a referendum requirement (except for the “reverse referendum” as described below). The CIP Act applies to specific capital improvements, including 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 capital improvements.

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 Owatonna, Minnesota (the “City”) will be financed through other means identified in their annual budgeting process and are not governed by this plan.

## II. PURPOSE

A Capital Improvement, as defined in the CIP Act, is a major expenditure 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 greater than five years. 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 lands for those facilities.

As identified by the CIP Act, a CIP is a document designed to anticipate Capital Improvement expenditures over at least 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, needs for improvement, and sources of revenue to pay for the improvement.

The City believes the capital planning process is an essential element of responsible fiscal management and engages in adoption of an updated five-year plan for city-wide capital expenditures annually as part of its budgeting process. Major capital expenditures can be anticipated and coordinated to minimize potentially adverse financial impacts caused by the timing and magnitude of capital outlays. As potential expenditures are reviewed, the City considers the benefits, costs, alternatives, and impacts 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.

## III. 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. The City Council prepares a plan based on the available funding sources. From this information, a preliminary plan is prepared for public discussion. Changes are then made based on that input, and a final plan is established.

Over the life of the plan, once the funding becomes available the specific 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.

Beginning in 2019, the City initiated a structured, multi-year process to evaluate and plan for improvements to various buildings and grounds, including, but not limited to, the existing Police and Fire Stations (the “Projects”). To support this effort, the City formed the Government Buildings Task Force (the “Task Force”) and engaged consultants to assess existing City facilities. In 2022, the Task Force toured the relevant facilities and reviewed both current usage and maintenance needs. Using this information to guide potential improvements in a comprehensive manner, the City developed a Long-Range Asset Plan (“LRAP”) to address both deferred maintenance needs and long-term improvements to City buildings and grounds. The LRAP identified the need for significant investments in several City facilities, including the Projects.

In 2024, consistent with the guidance of the LRAP, the City Council approved the acquisition of the Law Enforcement Center. Later that year, the City Council approved phase two of the planning process for the Projects and directed staff to evaluate design alternatives, potential site locations, and cost estimates. During this period, the City Council also reviewed potential funding sources to support the anticipated costs of the Projects, including an evaluation of potential debt issuance scenarios. Based on estimated project costs, the City determined that debt issuance would be necessary to finance the Projects.

Since this CIP calls for general obligation bonds to finance certain Capital Improvements (“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 the factors identified within the CIP Act. This CIP is designed to supplement the City’s established process. The City 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 website.

The City 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 petition is signed

by voters equal to at least five percent of the votes cast in the City in last municipal general election and is filed with the City Clerk within 30 days after the public hearing, the CIP Bonds may not be issued 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 outstanding CIP Bonds is 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 collaborates 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.

#### **IV. PROJECT SUMMARY**

The expenditures to be undertaken with this CIP for the years 2026 to 2030 are limited to those listed in Appendix A. All other foreseeable capital expenditures within the City government will come through other funding sources as identified within the City's annual budgeting process.

The CIP Act requires the City Council to consider eight factors in preparing the CIP and authorizing general obligation bonds.

1. Condition of the City's existing infrastructure, including projected need for repair or replacement.
2. Likely demand for the proposed improvement(s).
3. Estimated cost of the proposed improvement(s).
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(s).
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 projects identified in Appendix A and more thoroughly defined below through the issuance of CIP Bonds.

##### **Conditions of City Infrastructure and Need for the Project**

As City facilities continue to age and the demands for programs and services evolve, the City must maintain and renovate its existing grounds and buildings and/or acquire or build new facilities. To evaluate these needs, the City regularly reviews both the conditions of its buildings and grounds as well as the changing needs for, and mandates placed upon, its activities and services.

In 2024, the City Council reviewed an updated Facilities and Space Utilization Study (the “Study”), which identified several issues and needs related to the existing police and fire stations. The Study included other City facilities, which are not currently included in this CIP. In 2025, the City Council then authorized pre-design and design as well as the development of construction documents for the Projects.

Additionally, to better inform the design, engineering, and construction process for any new or renovated facilities, the City Council adopted a set of guiding principles to inform their capital improvement plans and the Projects. The Projects identified in this CIP will meet the needs of the City for at least the term of the proposed CIP Bonds.

**Police Station.** Based on the LRAP, Study and design process to date, the City identified a series of issues and needs for significant improvements to the buildings and grounds of the Police Station.

- The current facility lacks the space to adequately accommodate current and potential additional staff contemplated by the City.
- The existing building layout does not maintain adequate separation of the public and law enforcement spaces as well as secure in-custody holding facilities, posing a risk for public safety. It also lacks dedicated family and victim interview rooms.
- The current building requires significant improvements to existing Heating, Ventilation, and Air Conditioning (“HVAC”), sewage ejection, and information technology systems.
- The exterior masonry as well as the exterior insulation and finishing system continues to crack, delaminate, requiring significant repairs. It also experiences regular water infiltration and requires both roof and window replacement.
- The new facility will improve the capability of the City to support the safety, health, and well-being of police officer, including dedicated mental health spaces.

**Fire Station.** Based on the LRAP, Study and design process to date, the City identified a series of issues and needs for significant improvements to the buildings and grounds of the Fire Station.

- The current building requires significant improvements to existing HVAC, electrical and information technology systems.

- The existing facility experiences regular water infiltration and requires both tuckpointing and window replacement.
- The current site and building do not provide appropriate site area to the needs of the City, specifically to accommodate the requirements of modern firefighting apparatuses, allow for sufficient parking and potential future staffing levels.
- The new facility will improve the capability of the City to support the safety, health and well-being of firefighters and other City staff, including enhanced training facilities, dedicated mental health or “cool down” space and individual living quarters.

### Demand for the Project

Like all municipalities, the City must deliver services that provide for the health, safety, and welfare of its residents and staff. To best serve the community and complete their responsibilities both efficiently and safely, City staff need adequate equipment and facilities. The existing buildings and grounds of the existing police and fire stations are unable to effectively meet current and future operational needs.

In response to these demands and to better meet the expected service levels of the community, the City decided that the construction of new facilities would be the most efficient and effective option.

### Estimated Cost of the Project

At present, the City currently estimates the cost of construction of new police and fire stations to be approximately \$61,131,096. For the purposes of this CIP and given the potential for cost changes, the City anticipates the cost of the Projects, inclusive of the CIP Bonds and their related costs, will not exceed \$65,000,000, which may be issued in one or more series of bonds. The City may also use any such bond proceeds to support both projects included in the CIP, subject to the approval of the City Council.

### Availability of Public Resources

To effectively and reasonably support the costs of the projects, the City determined, following several work sessions and meetings, to finance the project through the issuance of CIP Bonds and potentially other capital reserves. Given the cost of the Projects, however, debt will be necessary to preserve sufficient operating and capital reserves for the City.

## Level of Overlapping Debt

Overlapping Debt as of October 7, 2025				
Taxing District	Taxable Net Tax Capacity	In City (%)	Total GO Debt	City Share
Steele County	\$ 68,504,823	49.29%	\$ 4,935,000	\$ 2,432,234
ISD No. 761	50,494,993	66.86%	155,520,000	103,986,582
Total Share of Overlapping Debt				\$ 106,418,816

## Relative Costs and Benefits of Alternative Uses of the Funds

The City does not currently possess sufficient funds to support the costs of the proposed Projects while also maintaining operating and capital reserves sufficient to support other activities.

## Operating Costs of the Proposed Improvements

While the expansion of these facilities may result in additional operating costs for the City, the proposed projects also include several long-term operating cost savings measures, including the use of a variety of energy-efficient materials and upgrades to the electrical, lighting and HVAC systems. The Projects will provide a safer and healthier workplace for City staff and reduce costs associated workplace injuries and lost time. They will also enhance productivity, improve communication, and cross-counter training among City staff and avoid potential costs associated with the future expansion of City facilities.

Using these and other factors, the City considered and reviewed the potential operating costs associated with the Projects and accounted for them as part of their forthcoming long-term financial management plan and annual budget. Once the City places the proposed Projects in service, it anticipates any operating cost changes to remain stable for the near future.

## Options for Shared Facilities with Other Local Governments

Given the nature of the proposed Projects and the essential operations they support, the City determined that no viable options exist for a shared facility with other local governments or agencies.

However, the City considered a single, combined police and fire station, but it could not acquire an adequate site to meet the needs of both activities.

## V. FINANCING

The total amount of proposed expenditures under this CIP is up to \$65,000,000. If these expenditures are to be funded, that amount of money is anticipated to be generated through a combination of capital funds and the sale of general obligation CIP Bonds within the identified five-year period. The anticipated bond size of \$65,000,000 is based upon funding the estimated hard and soft costs identified for the projects, plus estimated issuance costs, capitalized interest, and contingency and may be issued in one or more series of bonds. Principal and interest on the CIP Bonds will be paid through a property tax levy and current estimates of size and repayment of the CIP Bonds under consideration is shown in Appendix B.

The CIP authority requires, without a 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 its estimated market value. For preliminary property taxes payable in 2026, the maximum annual debt service amount would be \$5,372,296. The highest annual principal and interest payments on the City’s existing CIP Bonds plus those proposed to be issued under this CIP are estimated at approximately \$4,888,848. As such, debt service on the CIP Bonds will be within the annual limits under the CIP Act.

CIP Bonds Debt Service Limit	
AY 25/PY 26 Preliminary Estimated Market Value	3,357,684,900
Multiply by 0.16%	0.16%
Statutory Debt Limit	5,372,296
Less: Existing Debt Service Subject to the Limit	(87,200)
Less: Proposed Bond Issue (s)	(4,801,648)
Unused Debt Limit	483,448

## VI. PLAN CONTINUATION

This CIP will be reviewed annually by the City Council using the process outlined in this document. Through annual amendment, the City Council reviews proposed expenditures, makes priority decisions, and seeks funding for those expenditures it deems necessary for the City. If deemed appropriate, the City Council should prepare an update to this CIP for future CIP Bond issuance.

## APPENDIX A

### Plan Project Costs

Project Costs		
Year	Project	Amount
2026	Police & Fire Stations	\$65,000,000
2027	None Anticipated	-
2028	None Anticipated	-
2029	None Anticipated	-
2030	None Anticipated	-
Total		\$65,000,000

Note: The amounts and timing of these project costs may change at the discretion of the City Council.

### Proposed CIP Bond Issues

Proposed CIP Bond Issues	
Year	Amount
2026	\$65,000,000
2027	-
2028	-
2029	-
2030	-
Total	\$65,000,000

Note: The amounts and timing of these proposed CIP Bond issues may change at the discretion of the City Council.

## VII. APPENDIX B

Proposed CIP Bond Issues:

### City of Owatonna, Minnesota

\$65,000,000 General Obligation CIP Bonds, Series 2026

Assumes Current Market Non-BQ Aa1 Rates plus 50bps

#### Sources & Uses

Dated 06/18/2026 | Delivered 06/18/2026

##### Sources Of Funds

Par Amount of Bonds	\$65,000,000.00
<b>Total Sources</b>	<b>\$65,000,000.00</b>

##### Uses Of Funds

Total Underwriter's Discount (0.800%)	520,000.00
Costs of Issuance	192,000.00
Deposit to Capitalized Interest (CIF) Fund	1,509,378.60
Deposit to Project Fund	62,778,621.40
<b>Total Uses</b>	<b>\$65,000,000.00</b>

#### Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	105% of Total
02/01/2027	-	-	1,509,378.60	1,509,378.60	(1,509,378.60)	-	-
02/01/2028	2,360,000.00	2.800%	2,436,665.00	4,796,665.00	-	4,796,665.00	5,036,498.25
02/01/2029	2,430,000.00	2.800%	2,370,585.00	4,800,585.00	-	4,800,585.00	5,040,614.25
02/01/2030	2,495,000.00	2.800%	2,302,545.00	4,797,545.00	-	4,797,545.00	5,037,422.25
02/01/2031	2,565,000.00	2.850%	2,232,685.00	4,797,685.00	-	4,797,685.00	5,037,569.25
02/01/2032	2,640,000.00	2.950%	2,159,582.50	4,799,582.50	-	4,799,582.50	5,039,561.63
02/01/2033	2,715,000.00	3.000%	2,081,702.50	4,796,702.50	-	4,796,702.50	5,036,537.63
02/01/2034	2,800,000.00	3.100%	2,000,252.50	4,800,252.50	-	4,800,252.50	5,040,265.13
02/01/2035	2,885,000.00	3.200%	1,913,452.50	4,798,452.50	-	4,798,452.50	5,038,375.13
02/01/2036	2,980,000.00	3.300%	1,821,132.50	4,801,132.50	-	4,801,132.50	5,041,189.13
02/01/2037	3,075,000.00	3.450%	1,722,792.50	4,797,792.50	-	4,797,792.50	5,037,682.13
02/01/2038	3,180,000.00	3.550%	1,616,705.00	4,796,705.00	-	4,796,705.00	5,036,540.25
02/01/2039	3,295,000.00	3.650%	1,503,815.00	4,798,815.00	-	4,798,815.00	5,038,755.75
02/01/2040	3,415,000.00	3.750%	1,383,547.50	4,798,547.50	-	4,798,547.50	5,038,474.88
02/01/2041	3,545,000.00	3.900%	1,255,485.00	4,800,485.00	-	4,800,485.00	5,040,509.25
02/01/2042	3,680,000.00	4.050%	1,117,230.00	4,797,230.00	-	4,797,230.00	5,037,091.50
02/01/2043	3,830,000.00	4.200%	968,190.00	4,798,190.00	-	4,798,190.00	5,038,099.50
02/01/2044	3,990,000.00	4.550%	807,330.00	4,797,330.00	-	4,797,330.00	5,037,196.50
02/01/2045	4,175,000.00	4.650%	625,785.00	4,800,785.00	-	4,800,785.00	5,040,824.25
02/01/2046	4,370,000.00	4.800%	431,647.50	4,801,647.50	-	4,801,647.50	5,041,729.88
02/01/2047	4,575,000.00	4.850%	221,887.50	4,796,887.50	-	4,796,887.50	5,036,731.88
<b>Total</b>	<b>\$65,000,000.00</b>	<b>-</b>	<b>\$32,482,396.10</b>	<b>\$97,482,396.10</b>	<b>(1,509,378.60)</b>	<b>\$95,973,017.50</b>	<b>\$100,771,668.38</b>