CITY OF NISSWA
MINUTES – CITY COUNCIL WORKSHOP
TUESDAY, APRIL 21, 2026 – 4:00 P.M.
NISSWA CITY HALL

Members present: Jennifer Carnahan, Bruce London, Joe Hall, Mark Froehle, Jesse Zahn
Other Members Present: Dave Reese, City Engineer; Bill Westerberg, Widseth; Heather Casperson with PFM
City staff present: Maggi Wentler, Interim City Administrator; Jane Michaud, Deputy Clerk

Audience members: 3 members of the public were present

A. Call to Order

Mayor Carnahan called the City Council Workshop Meeting of the City of Nisswa to order on Tuesday, April 21, 2026, at 4:01 PM at Nisswa City Hall. The meeting was also accessible to the public via online livestream. The Council briefly awaited the in-person arrival of Heather Casperson, Senior Managing Consultant with PFM, before proceeding.

B. PFM Presentation on Bonding

Mayor Carnahan introduced Heather Casperson of PFM as the presenter for the debt workshop. Ms. Casperson conducted a slide-based presentation covering the proposed bond issue, project background, borrowing authority, existing City debt, financial health indicators, and the bond sale timeline.

Proposed Bond Issue – Series 2026A

Ms. Casperson presented the proposed General Obligation Bonds, Series 2026A, with a preliminary par amount of $3,910,000. She emphasized that this figure is an estimate and will be resized following the receipt of competitive bids. The targeted bond sale date is May 19, 2026, with an estimated dated and delivery date of June 2, 2026, at which time the City would receive bond proceeds. Repayment is to be funded through ad valorem property taxes, with principal payments beginning February 1, 2028, through 2041, and the first interest payment due February 1, 2027. The bonds will include a call provision allowing for early redemption or refinancing if market conditions are favorable.

Council Member Zahn inquired about extending the amortization period beyond the current 13-to-15-year structure. Ms. Casperson explained that while the statute permits terms as long as 30 years, a shorter amortization had been recommended to align with the useful life of the street improvements and to manage overall borrowing costs. She noted that a longer amortization would result in additional interest expense over the life of the bonds. She further advised that if the Council wished to consider a different amortization schedule, that decision would need to be made prior to the publication of official sale documents, and suggested the 2027 bond issue as an alternative vehicle for a longer amortization window if the Council desired one. Staff noted that in a prior meeting with Interim City Administrator Wentler, Public Works Director Blomer and

the City's financial consultant, the difference between 15- and 20-year terms did not yield a significant benefit relative to the added cost.

Ms. Casperson clarified that the bond terms, including the final maturity, must be established before the market offering, as underwriters and investors plan their purchases around known maturity dates.

Project Costs and Scope

Bill Westerberg with Widseth presented updated project cost figures based on Anderson Brothers unit prices. The calculated total project cost was approximately $3,652,027.90, inclusive of a 10% contingency (reduced from an earlier 15% contingency used when plans were at 90% completion). He explained that the previously authorized ceiling of $5,750,000 had been established conservatively when cost estimates were higher, and that the current estimate reflects significantly lower figures. Ms. Casperson noted that the bond was sized at $3,900,000 to provide approximately $3,800,000 for project costs, with an additional cushion to account for unresolved right-of-way acquisition costs. She also noted that prevailing bidding premiums in the current municipal market often allow cities to generate more project proceeds from a lower par amount.

Borrowing Authority

Ms. Casperson reviewed the statutory authority for the Street Reconstruction Bonds under Minnesota Statutes. Key procedural requirements had been satisfied, including: adoption of the Five-Year Street Reconstruction Plan and public hearing in February 2026; publication of a notice of intent to issue bonds; completion of a 30-day reverse referendum period with no petition filed; and a Council vote authorizing borrowing not to exceed $5,750,000.

Existing City Debt

Ms. Casperson presented a summary of the City's outstanding debt obligations organized into three categories:

Ad Valorem Tax-Supported Debt: This includes a 2012 Street Reconstruction Note, a portion of the 2024A bonds (financing City Hall capital improvements), and the anticipated 2026 Street Reconstruction bonds. Total outstanding in this category is projected to be just over $5,000,000 upon issuance.

Tax Abatement-Supported Debt: The 2024A and 2024B series bonds, issued in both taxable and tax-exempt form to finance the City's land acquisition on Highway 371, represent approximately $1,800,000 outstanding. The taxable portion was necessary because the land is intended for future sale rather than municipal use.

Revenue-Supported Debt: Two bond series are supported by sewer utility revenues, totaling just over $4,000,000. Ms. Casperson noted the City has been a good steward of utility funds and

has accumulated cash reserves sufficient to finance some upcoming capital needs—such as a lift station—without additional borrowing.

Council Member Hall raised a question about how a potential sale of the Highway 371 property would interact with the road bonding cycle. Ms. Casperson clarified that the two matters are separate: proceeds from a land sale would first be obligated to retire the outstanding 2024A/B bonds used to purchase that property, and doing so would create capaCity for future borrowings. She confirmed that the 2027 Street Reconstruction bond issue is already incorporated into the City's projected debt levy rate, and that the levy rate is structured to hold steady at approximately 6.2 mils across the planning horizon, regardless of whether the land sale occurs before or after the 2027 issuance. Council Member Hall and others expressed relief that the 2027 bonds would not create an unexpected levy increase for constituents.

Credit Rating and Financial Health

Council Member Froehle asked what factors determine the City's bond interest rate and credit rating. Ms. Casperson explained that the City currently holds a Aa2 rating from Moody's Investors Service, and that this rating is influenced by multiple factors, including: the local economy and tax base; management quality of elected officials and staff; the level and pace of debt repayment (faster amortization is viewed favorably); and financial reserves. She noted that the City's large unassigned fund balance is a significant positive credit factor, as it remains uncommitted and accessible for operational or emergency purposes.

Council Member Froehle raised constituent questions about the potential impact of drawing down reserves. Ms. Casperson emphasized that healthy reserves serve purposes beyond the bond rating, including providing liquidity for uninterrupted City operations in the event of unforeseen circumstances. City staff further noted that the City maintains a formal policy requiring it to retain 100% of annual expenditures in its fund balance, a threshold that was increased from a prior 50% requirement. This policy limits the discretionary portion of the fund balance.

Ms. Casperson reviewed a trend of the City's general fund balance from 2021 through 2025, showing a modest decline in recent years from approximately $5,100,000 to $3,900,000. She noted that Moody's would inquire about the reasons for this trend, and that the City's explanation—that portions of the fund balance were deployed for projects pending grant reimbursement—is a distinguishable and acceptable reason compared to a structural budget imbalance.

Council Member Zahn observed the City's estimated market value has grown substantially, from approximately $650–700 million in 2022 to approximately $1.4 billion as of the most recent assessment. Ms. Casperson presented historical valuation data and cautioned against relying on continued extraordinary growth for planning purposes, noting that a 5% annual growth assumption is used in the City's financial projections. She attributed some of the recent growth to post-COVID improvements, including resort upgrades, and characterized those as likely one-time contributors.

Bond Sale Timeline and Process

Ms. Casperson outlined the following schedule of events:

- **February 2026:** Public hearing held; Five-Year Street Reconstruction Plan adopted; borrowing authorized.
- **April 21, 2026:** Council workshop (present meeting).
- **April 28, 2026:** Credit call with Moody's Investors Service.
- **Week of May 11, 2026:** Anticipated receipt of updated credit rating and report.
- **May 19, 2026:** Competitive bond sale (bids due at 11:15 AM); City Council meeting that evening to award the bond issue by roll call vote.
- **June 2, 2026:** Bond closing; City receives proceeds.

Ms. Casperson explained that Council packets distributed in advance of the May 19 meeting will include a draft resolution with the $3,900,000 figure and placeholder amounts. An updated resolution with final figures will be distributed to the Council prior to that evening's meeting, reflecting actual rates and par amounts determined from the morning bids. She stressed the importance of the Council being prepared to act affirmatively on the resolution, noting that a failure to award after competitive bids are received could negatively affect the City's future market access and underwriter participation.

C. Road Project Updates

No substantive discussion occurred under this agenda item. Mayor Carnahan invited questions on road project updates; no Council members raised additional items beyond what had been addressed during the bonding presentation.

D. Adjourn

A motion to adjourn was made by Council Member Zahn and seconded by Council Member London. The motion carried unanimously.

The City Council Workshop Meeting was adjourned at 5:04 PM.

Respectfully submitted,

Jennifer Carnahan, Mayor

Maggi Wentler, Interim City Administrator