CITY COUNCIL MEETING

Tuesday, November 18, 2025 at 1:00 PM
Council Chambers, Charles S. Crandall Center at City Hall, 540 West Hills Circle.
Council Members Svenby, Voss, Dotson, Burbank, Boeke, McCann, and Raney

STUDY SESSION - presentation and discussion - no approval/votes at this meeting

1. **CALL TO ORDER:**
2. **ITEMS OF DISCUSSION**
   - 2.1. 2026 Budget Presentation
   - 2.2. ICS Police and Fire Safety Center Update
   - 2.3. Public Safety Facilities Financing Plans and Options
   - 2.4. TIF Summary - Ascend South
   - 2.5. Miscellaneous
3. **COUNCIL COMMENT AND GENERAL INFORMATION**
4. **ADJOURN**

2026 Budget

City Council Study Session

November 18, 2025

CITY OF OWATONNA

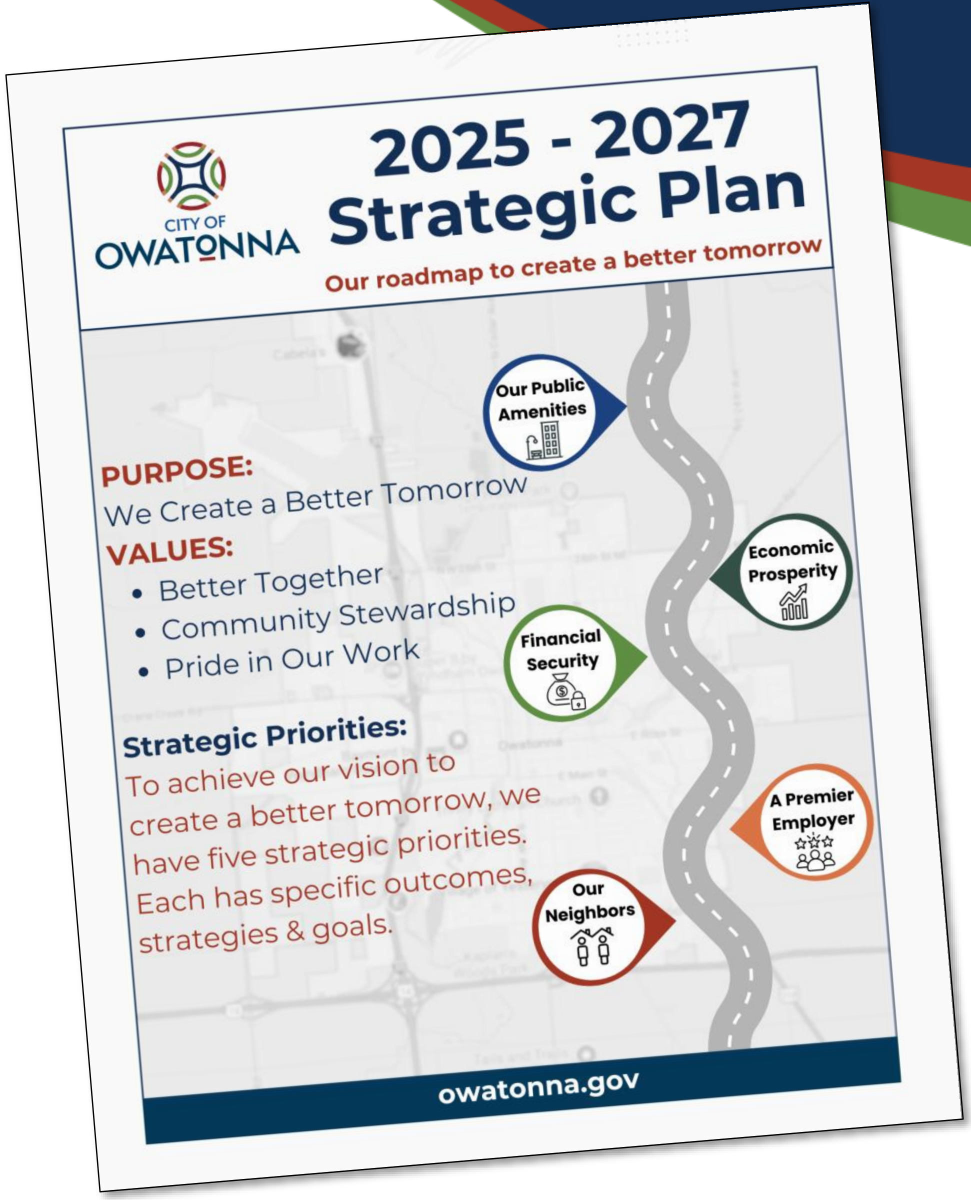
Services

City Levy Provides

Budget Update

- Budget based on funding initiatives that support the five Strategic Priorities

- City policy requires a minimum unreserved fund balance of 45% of next year's budgeted General Fund expenditures



2026 Items of Significance

- Replace and upgrade portable recording systems for Police Department
- Support for information technology transition from hybrid environment to cloud solutions for increased efficiency and security
- Comply with State-mandated Minnesota Paid Leave
- Implement City Council-approved 2025-2027 employee compensation

Impact on Owatonna Homeowners

Property tax impact on proposed 13% levy increase

The tax impacts presented do not account for adjustments related to increases in market value. These figures solely reflect the impact from the City, assuming there is no change in property value. It is important to note that increases in market value will lead to a higher tax impact.

Market Value	Increase from 2025	Monthly Increase
$100,000.00	$23.10	$1.93
$125,000.00	$33.18	$2.77
$150,000.00	$43.26	$3.61
$175,000.00	$53.34	$4.45
$200,000.00	$63.42	$5.29
$225,000.00	$73.50	$6.13
$250,000.00	$83.58	$6.97
$275,000.00	$93.66	$7.81
$300,000.00	$103.74	$8.65
$325,000.00	$113.82	$9.49
$350,000.00	$123.90	$10.33
$375,000.00	$133.98	$11.17
$400,000.00	$144.06	$12.01
$425,000.00	$154.14	$12.85
$450,000.00	$164.22	$13.69
$475,000.00	$174.30	$14.53
$500,000.00	$184.38	$15.37
$525,000.00	$194.20	$16.18
$550,000.00	$203.45	$16.95
$575,000.00	$212.70	$17.72
$600,000.00	$221.95	$18.50
$625,000.00	$231.19	$19.27
$650,000.00	$240.44	$20.04
$675,000.00	$249.69	$20.81
$700,000.00	$258.94	$21.58

2026 Budget Development Timeline

Key Remaining Dates:

November

- **November 18:** Budget Update Presentation - City Council Study Session

December

- **December 2:** Truth-in-Taxation Hearing - City Council Meeting
- **December 16:** Final Adoption of 2026 Budget & Levy - City Council Meeting

Final Steps for 2026 Budget Completion

- Outstanding items remain before finalizing the budget
- Adopted levy can equal or fall below the proposed levy but cannot exceed it.
- The City Council needs to determine the preferred levy increase for staff to implement.

For reference, a reduction of:

1% levy = $196,256

½% levy = $98,128

Questions?

For additional information, visit Owatonna.gov/finance

ICS

A LEGENCE Company

Public Safety Center Facilities Update

City of Owatonna - City Council Study Session

November 18, 2025

OWATONNA

Agenda

Communications (Rapp Strategies)

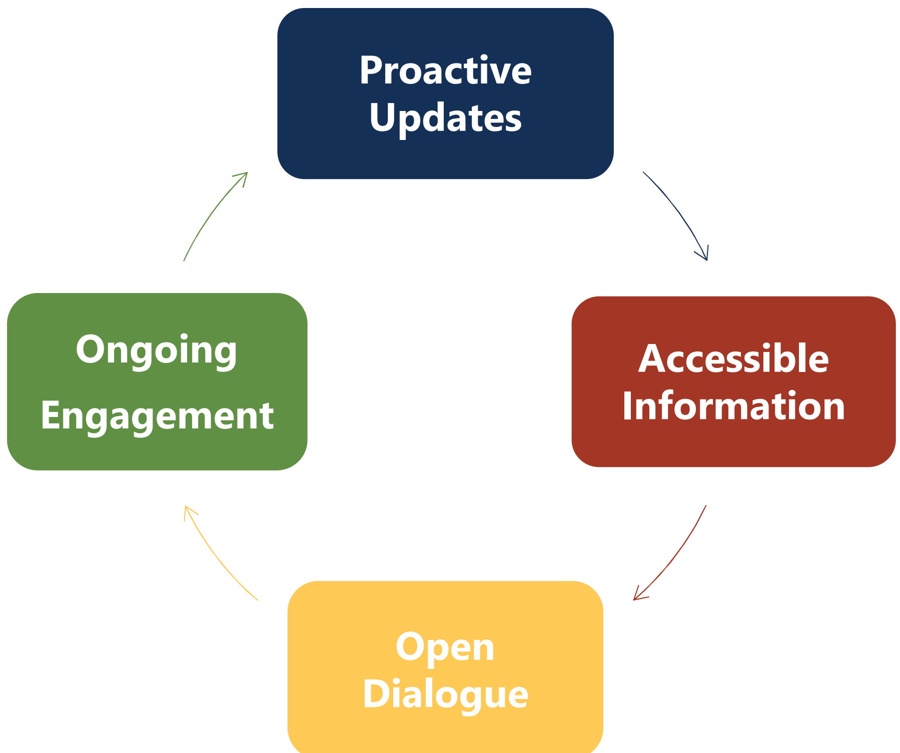
Public Safety Facilities

- Evaluation of Existing & New Facilities and Sites (ICS)
- Schematic Design Update (Wold)
- Timeline (ICS)

Next Steps

Q&A

City Commitment to Communicate



PURPOSE:

Cohesive and integrated communications strategy that leverages City communication channels and outreach to keep community members informed and engaged.

Project Communications Overview – Goal

Raise awareness and understanding of the City's commitment to manage its facilities and invest in new facilities on ways that meet community needs and provide long-term value for the City and its taxpayers.

RAPP STRATEGIES

Current Projects

1

Public Safety Center – Phase 2 (Design)

- Share information on current facilities challenges and why these projects are being pursued now, provide updates on the planning and design of new facilities, and gather feedback and answer questions.

2

Community Center – Phase 1(Visioning/Scoping)

- Share information on the planning/scoping process, including opportunities for community engagement, to shape the potential design, features and amenities for a new community center.

RAPP STRATEGIES

Project Communications Overview – Objectives for City Communication

Easy access to information

Listen to input

Prioritize transparency

Monitor and evolve

Foster collaboration

RAPP STRATEGIES

Audiences

- Community Members
- Businesses
- Business, Community and Civic Organizations
- Local State Legislators
- County Commissioners
- Regional Partners
- City Employees
- Media

RAPP STRATEGIES

Tools

Core Messages	FAQs	Fact Sheets	Presentations
Emails	Social Media	News Releases	Local Media
Videos	Surveys	Community Meetings and Events	Feedback Channels

RAPP STRATEGIES

Project Communications Overview – Materials and Tactics

Public Safety

Focus: Raise awareness of needs, ongoing project communications and updates.

- Informational Resources
  - Fact Sheet
  - City LRAP Public Safety page
  - Talking points
- Community
  - Update newsletters
  - Seek and respond to community input
  - Set up public facing email inbox
- **Future:** Public Open House in Q1 2026.

Community Center

Focus: Visioning process and community engagement.

- Informational Resources
  - OurCommunityOurCenter.org
  - City LRAP Community Center page
  - Core messages
- Community
  - Update newsletters
  - Task Force outreach and input channel
  - Community survey
  - Public facing email inbox

RAPP STRATEGIES

Timeline

Decision Making Process

Guiding Principles

Review of Existing Facilities / Needs

- Fire Department
- Police Department

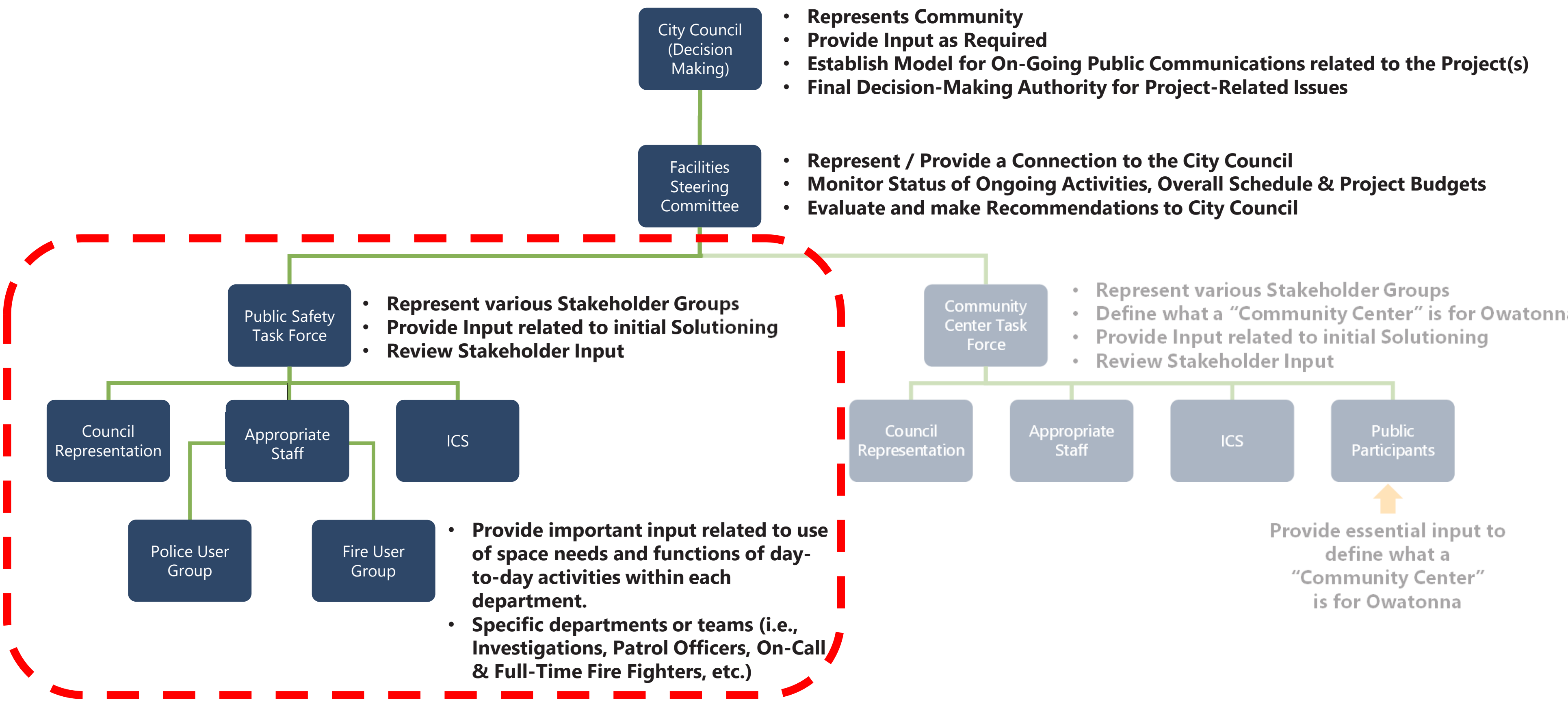
Review of Potential Sites

Schematic Design Update

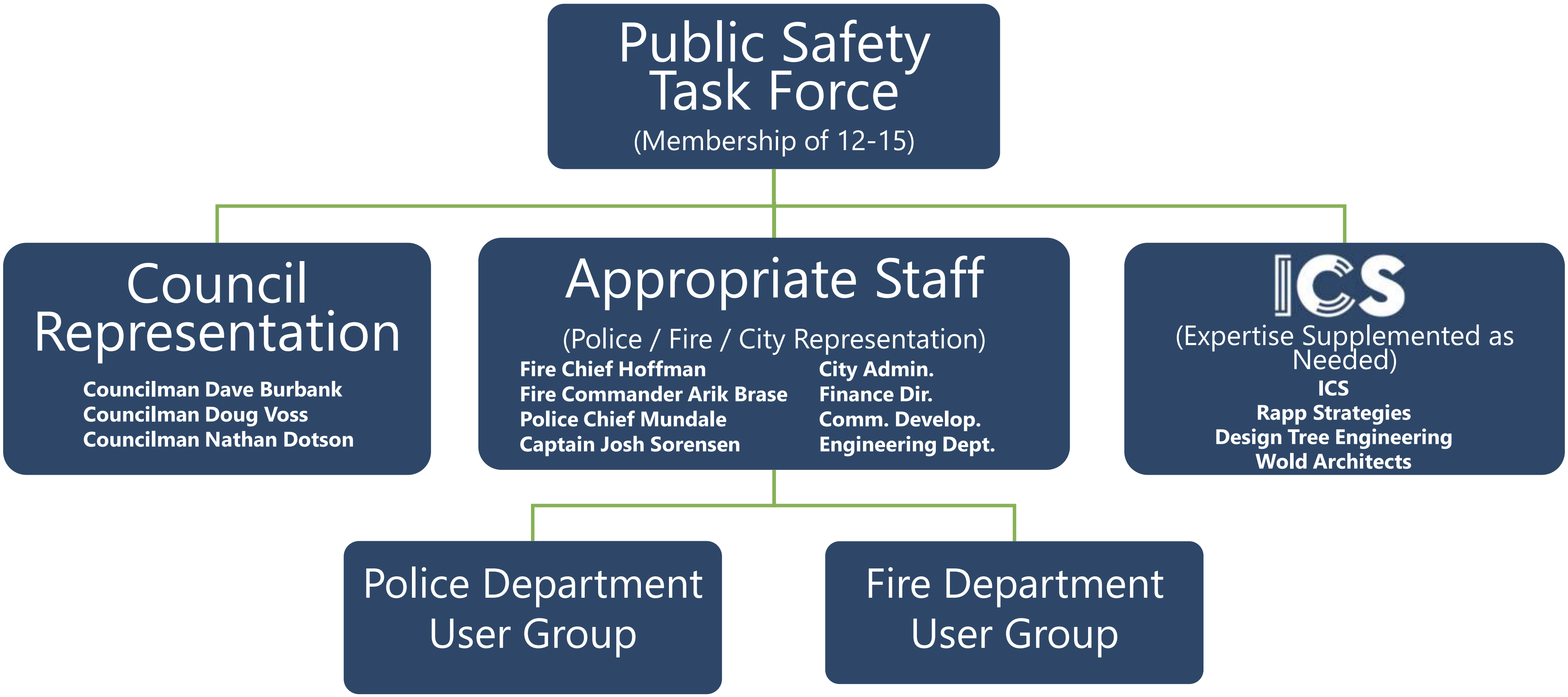
- Fire Department
- Police Department
- Swing Space for Police

Proposed Project Timeline

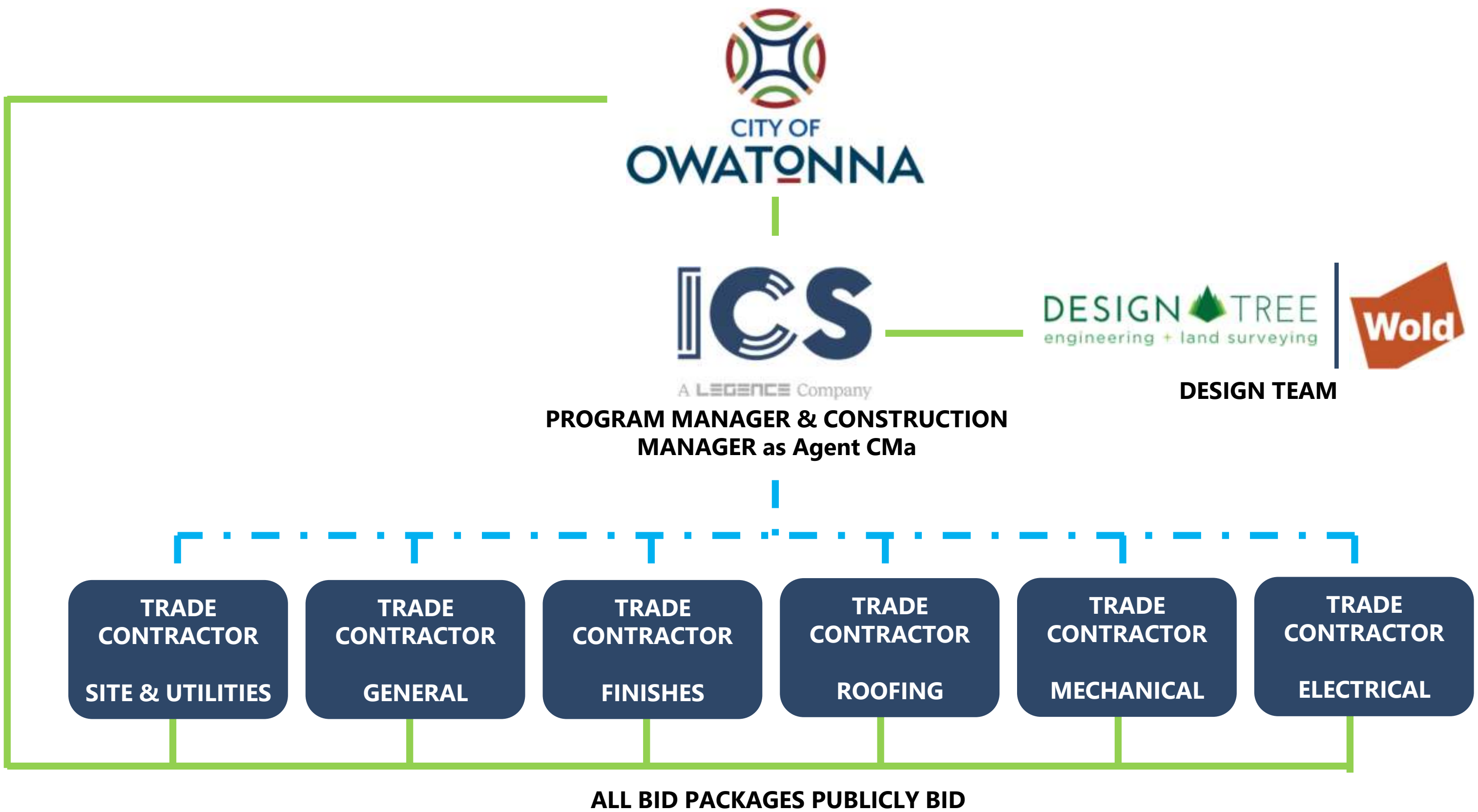
Task Forces Organizational Structure



Task Forces Organizational Structure



Project Safety Center Team



Guiding Principles

Guiding principles play a crucial role in shaping the ethos of a project. They create a sense of purpose and direction, helping to align actions with core values and long-term goals. These principles act as a compass, navigating through complex and challenging situations, ensuring that decisions made are in consensus and alignment with the established values.

Council adopted the following Guiding Principals as they relate to Public Safety Facilities in December of 2024.

Guiding Principles

CITY OF OWATONNA

We Create a Better Tomorrow
Better Together | Community Stewardship | Pride in Our Work

PUBLIC SAFETY FACILITIES GUIDING PRINCIPLES

Create centrally located, functional facilities that serve the community, ensure employee safety and well-being, and are designed for efficient resource use and future growth to support public safety for decades.

THE CITY OF OWATONNA PUBLIC SAFETY FACILITIES...

Will support the health and wellbeing of employees.

- Provide fitness and recreation spaces
- Create dedicated areas for training facilities
- Provide modern, private living quarters and common area for firefighters
- Provide communal and private space(s) for decompression/relaxation essential to employee mental health
- Ensure facilities meet or exceed OSHA requirements and NFPA standards
- Ensure access to natural light

Will be secure and welcoming to the public.

- Establish clearly defined and inviting public entrance
- Ensure distinct separation between public access and secure employee areas
- Provide shared space for a meeting/training room
- Provide multiple interview/victim rooms
- Ensure adequate space for managing individuals in custody (sallyport, holding, interview room)

PUBLIC SAFETY FACILITIES GUIDING PRINCIPLES

THE CITY OF OWATONNA PUBLIC SAFETY FACILITIES...

Will manage finances responsibly.

- Ensure budget process identifies all construction and soft costs
- Ensure proposed solution is within the approved budget
- Ensure facilities will have efficient building systems to reduce operational costs

Will provide a functional layout and design.

- Focus on practical use of space needed for efficient and effective operations
- Meet current needs and be ready for future growth:
  - Technology infrastructure that can be expanded
  - Flexible space to meet current and future staffing and equipment needs
- Be visually appealing while mindful of the budget

Will have a site large enough and located in the community's central area.

- Allow ample room for police and fire vehicles to operate safely
- Provide sufficient space for vehicle and equipment staging and storage
- Provide adequate and separated staff and visitor parking
- Provide the necessary buffer and hardening measures to ensure safe and secure facilities
- Be able to accommodate future growth

Will provide adequate storage and maintenance facilities.

- Provide an apparatus bay that accommodates all firefighting vehicles
- Provide indoor-conditioned vehicle storage for police
- Provide adequate, conditioned and secure spaces for evidence intake, processing, and storage
- Provide sufficient space for gear storage and officer lockers
- Provide adequate space for custodial, IT, mechanical, and electrical storage and equipment

CITY OF OWATONNA
540 WEST HILLS CIRCLE | OWATONNA, MN 55060-4701 | OWATONNA.GOV | 507.444.4300

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Proposed Public Safety Center Timeline

COVID-19

CITY OF OWATONNA
ICS
RAPP STRATEGIES

2019

DECEMBER 2019

ICS PROVIDES PROPOSAL FOR FACILITIES ASSESSMENT
- EARLY DISCUSSIONS RELATED TO ASSESSING THE CITY'S ASSETS

2020

MARCH 2020

UPDATED FACILITIES ASSESSMENT
- REVISITED FACILITIES TO CONFIRM PREVIOUS WALKS
- UPDATED BUDGETARY NUMBERS

APRIL – JUNE 2020

ICS PEFORMS FACILITIES ASSESSMENT
- WALK THROUGHS OF ALL CITY FACILITIES

JULY 2020

PRESENTATION OF FACILITIES ASSESSMENT TO COUNCIL
- FINDINGS OF FACILITIES CONDITION ASSESSMENT
- CORRESPONDING BUDGET NUMBERS OF DEFERRED MAINTENANCE NEEDS

2021

SEPTEMBER 2021

TOUCHPOINT
- ICS / CITY TOUCH BASE COMING OUT OF COVID
- CITY WILL BE FORMING A FACILITIES TASK FORCE

OCT. 2021 - MARCH 2022

INTERNAL REVIEW OF CITY FACILITIES
- COUNCIL/STAFF TOUR EXISTING FACILITIES
- REVIEW OF FACILITY CONDITIONS ASSESSMENT PRODUCED BY ICS

2022

APRIL 2022

CITY RE-ENGAGES ICS
- REVIEW OF FACILITIES ASSESSMENT
- DISCUSSIONS ON UPDATING FACILITIES ASSESSMENT

JUNE – AUG. 2022

UPDATED FACILITIES ASSESSMENT
- REVISITED FACILITIES TO CONFIRM PREVIOUS WALKS
- UPDATED BUDGETARY NUMBERS

SEPTEMBER 2022

FACILITIES STEERING COMMITTEE FORMED
- STUDY EXISTING ASSETS
- UTILIZE ASSESSMENTS TO FORMULATE A PLAN

2023

JAN. – AUG. 2022

PRIORITIZATION OF DEFERRED MAINTENANCE PROJECTS
- DETERMINE ASSETS WORTH INVESTING IN AND PRIORITIZE NEW PROJECTS

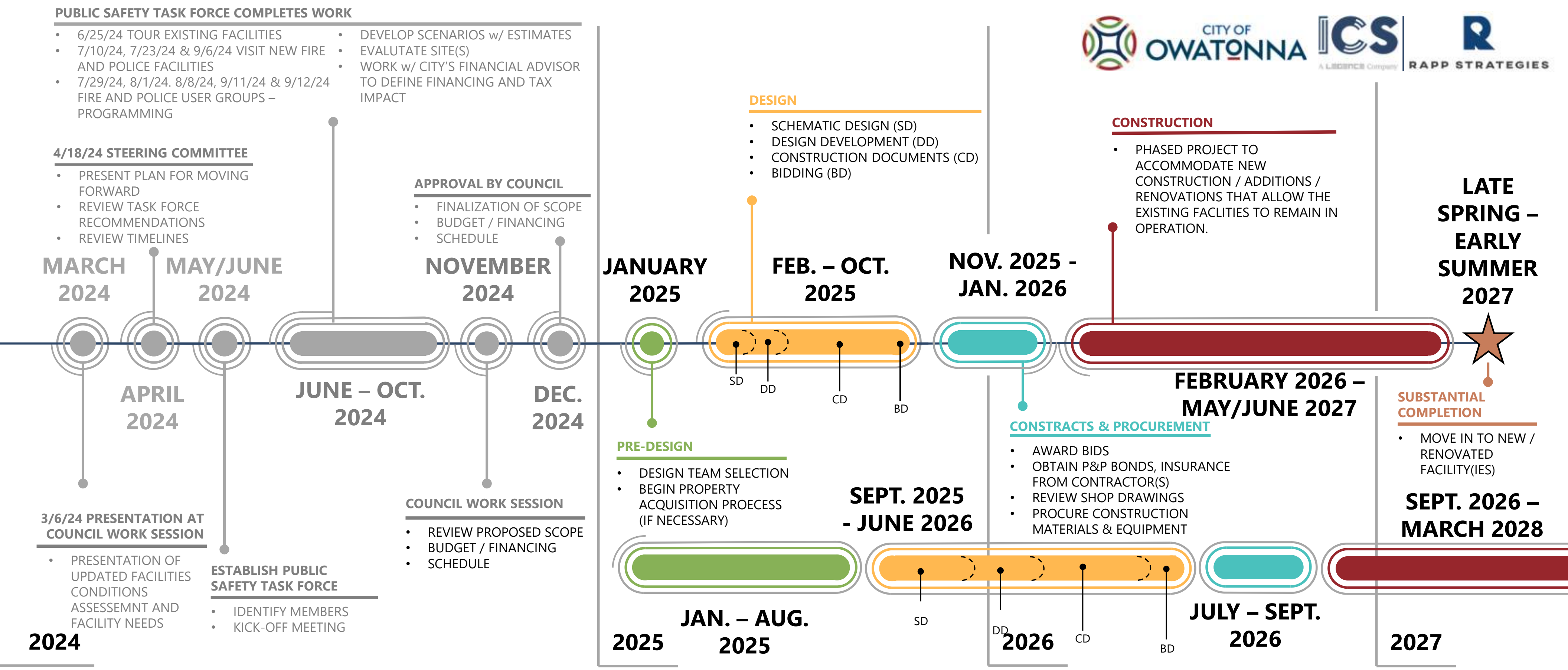
OCTOBER 2023

MERRILL HALL PROJECT
- DEFINITION AND APPROVAL OF MERRILL HALL PROJECT

DEC. 2023

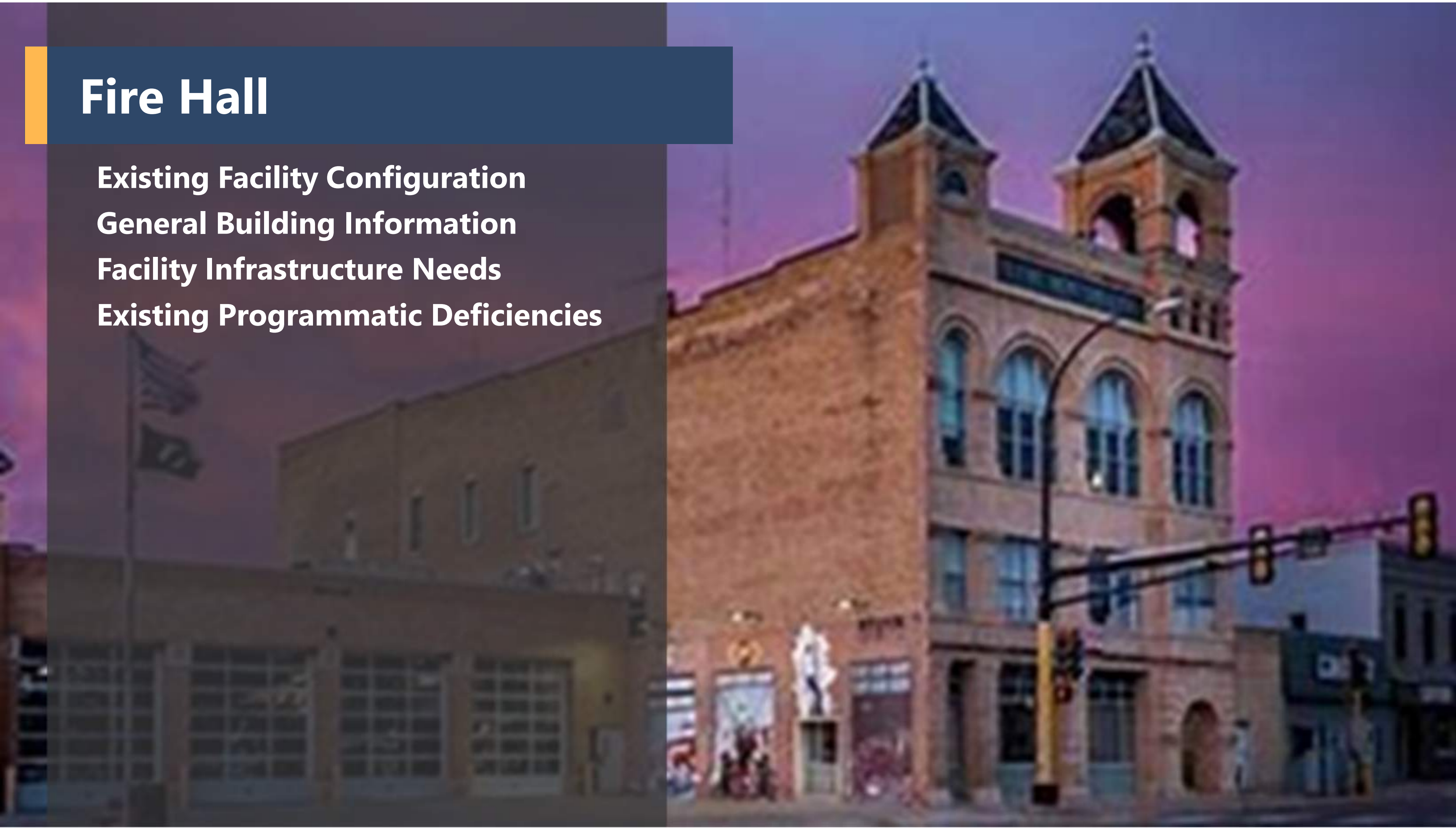
PRIORITIZATION OF PROJECTS
- BEGIN ADDITIONAL STUDY PRIORITIZATION OF CITY'S FACILTIIES NEEDS

Proposed Public Safety Center Timeline

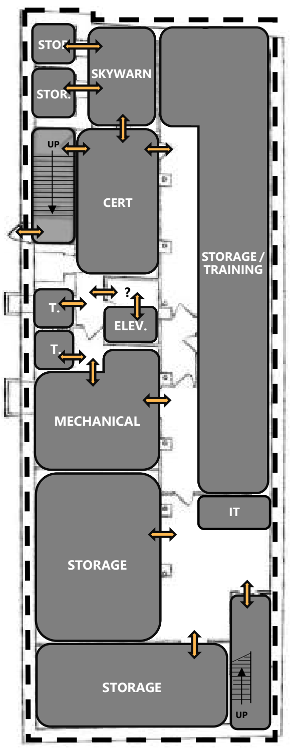


Fire Hall

Existing Facility Configuration
General Building Information
Facility Infrastructure Needs
Existing Programmatic Deficiencies



Existing Facilities – Fire Hall

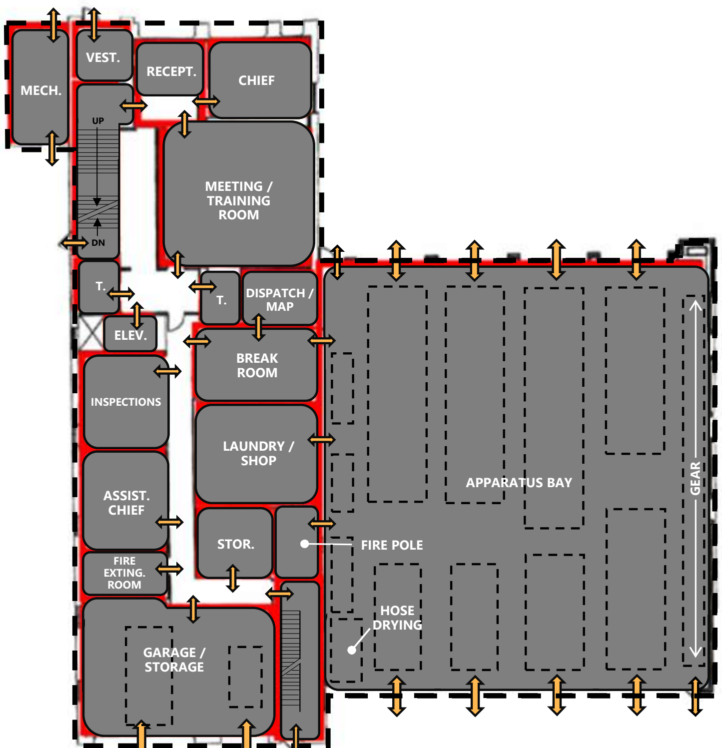


Lower Level

Lower Level

- Skywarn Equipment / Conference Room
- CERT Equipment / Conference Room
- Storage
  - Old Gear – Fire Fighter Class for High School Students
  - Relief Storage
  - Chair & Table Storage
  - Misc.
- Training
  - Numerous Training Scenarios

Existing Facilities – Fire Hall

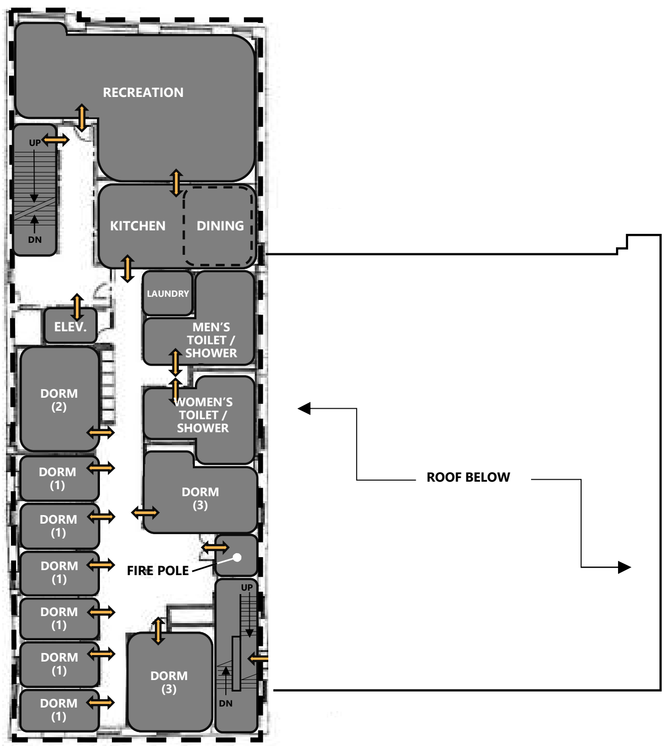


Main Level

Main Level

- Building Main Entrance / Lobby
- Reception
- Chief's Office
- Training Room
- Inspections Office
- Break Room
- Dispatch / Map Room
- Laundry / Shop
- Apparatus Bay
  - Storage for Six (6) Vehicles
  - Gear Storage
  - Hose Drying
  - Misc. Storage
- Supplemental Bays
  - Storage for Two (2) Vehicles
  - Misc. Storage

Existing Facilities – Fire Hall

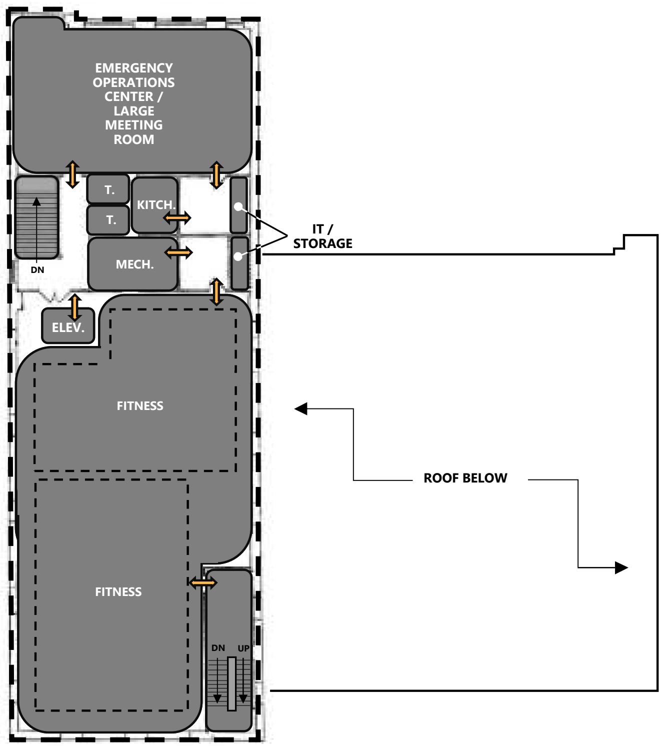


Second Level

Second Level

- Dorms
- Men's & Women's Toilet/Shower Rooms
- Laundry
- Kitchen w/ Dining Space and bar-height counter
- Recreation Room

Existing Facilities – Fire Hall



Third Level

Third Level

- Emergency Operations Center (EOC) / Large Conference Room
- Kitchenette
- IT / Storage
- Storage
- Fitness (Weights, Cardio and Court)
- Training (Balcony)

Existing Facilities – Fire Hall Deficiencies

General Building Information:

- Original 3-story building was constructed in 1906; apparatus bay addition opened in 1997
- Current facility is 27,800 SF
  - Facility needs are 40,500 SF

Current Infrastructure Needs:

- Numerous areas of water infiltration (leaks)
  - Tuckpointing of the exterior is required
  - Window replacement
- HVAC and Electrical upgrades are required
- Failing and required upgrades to existing finishes
- Technology upgrades required

Current Facility Infrastructure Needs $1.4M

Programmatic Challenges and Deficiencies:

- Building security is limited; once access is gained there are limited barriers to access the entire facility
- Drive-thru apparatus bays are not able to be utilized by frequently used equipment
  - Frequently utilized vehicles need to back into apparatus bay off Main Street
- Decontamination facilities are currently located within the apparatus bay and lack several features a modern facility provides for to meet/exceed current best practices and OSHA requirements

Existing Facilities – Fire Hall Deficiencies

Programmatic Challenges and Deficiencies (Cont'd):

- Training facilities / opportunities for training are lacking within the current facility
  - Existing training equipment / scenarios are in the basement
  - Vehicles need to be pulled out of Apparatus Bay to conduct training
- Current living quarters require sharing of space and limit privacy and interruption of sleeping firefighters
  - Sleeping areas range from 1 – 3 fire fighters sharing a space
  - Communal toilet/shower facilities
- Lack of dedicated cool down / mental health facilities for fire fighters who need to decompress or meet with a mental health professional
- Parking is lacking
  - Limited on-site / directly adjacent parking for full-time and paid-on-call fire fighters
  - Designated parking lot for department vehicles, administration and paid-on-call fire is located to the west of the existing facility
- Existing facility is land locked; no room for further growth
  - Apparatus bay is undersized; department stores other equipment in other facilities off site adding to response time when those items are needed in response to a call
  - No space for future growth for staff inside the building without sacrificing/relocating other programmatic needs

Existing Facilities – Fire Hall Deficiencies

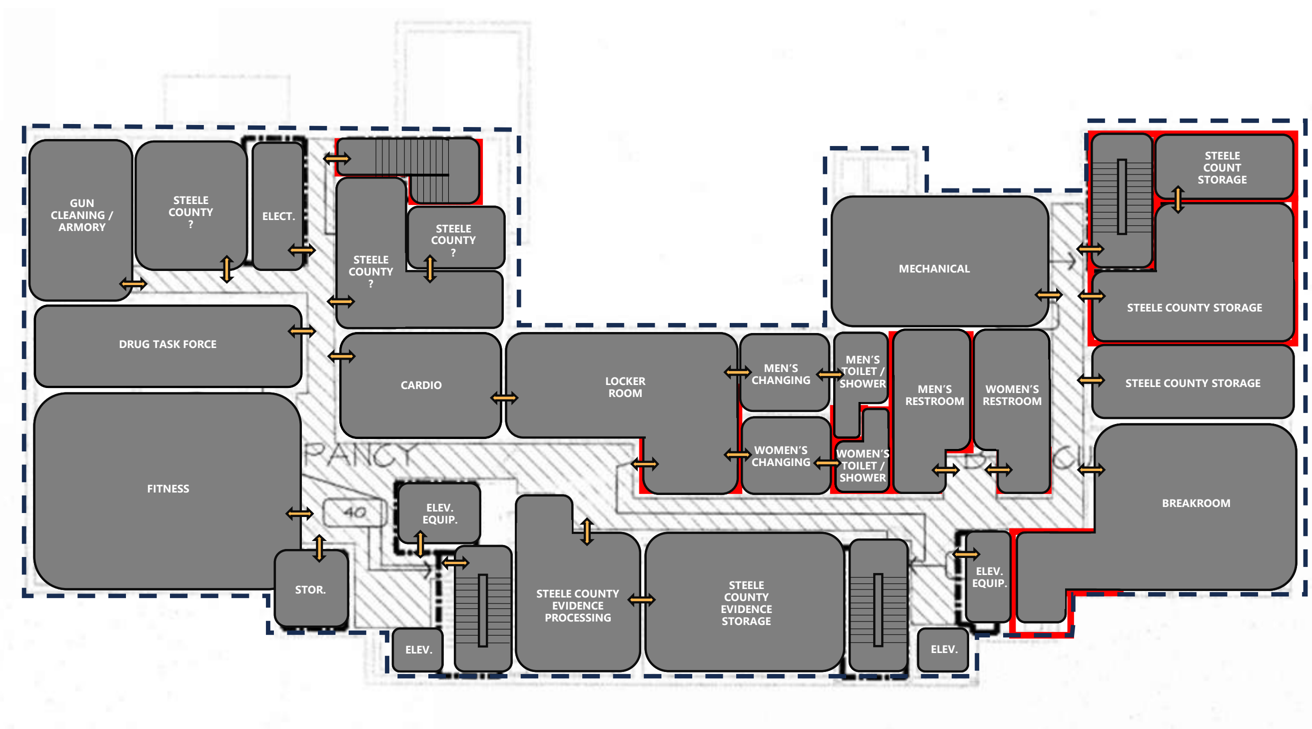
Programmatic Challenges and Deficiencies (Cont'd):

- EOC is lacking numerous features that are found in a current facility
  - No back-up power (generator)
  - Facility is not hardened
  - Located on the third floor and not easily accessed in the event of an emergency
  - Other similar program features (i.e., Skywarn, CERT, etc.) are disconnected and not adjacent; located in the basement of the facility)
  - Poor acoustics and a lack of updated technology

LEC

- Existing Facility Configuration
- General Building Information
- Facility Infrastructure Needs
- Existing Programmatic Deficiencies

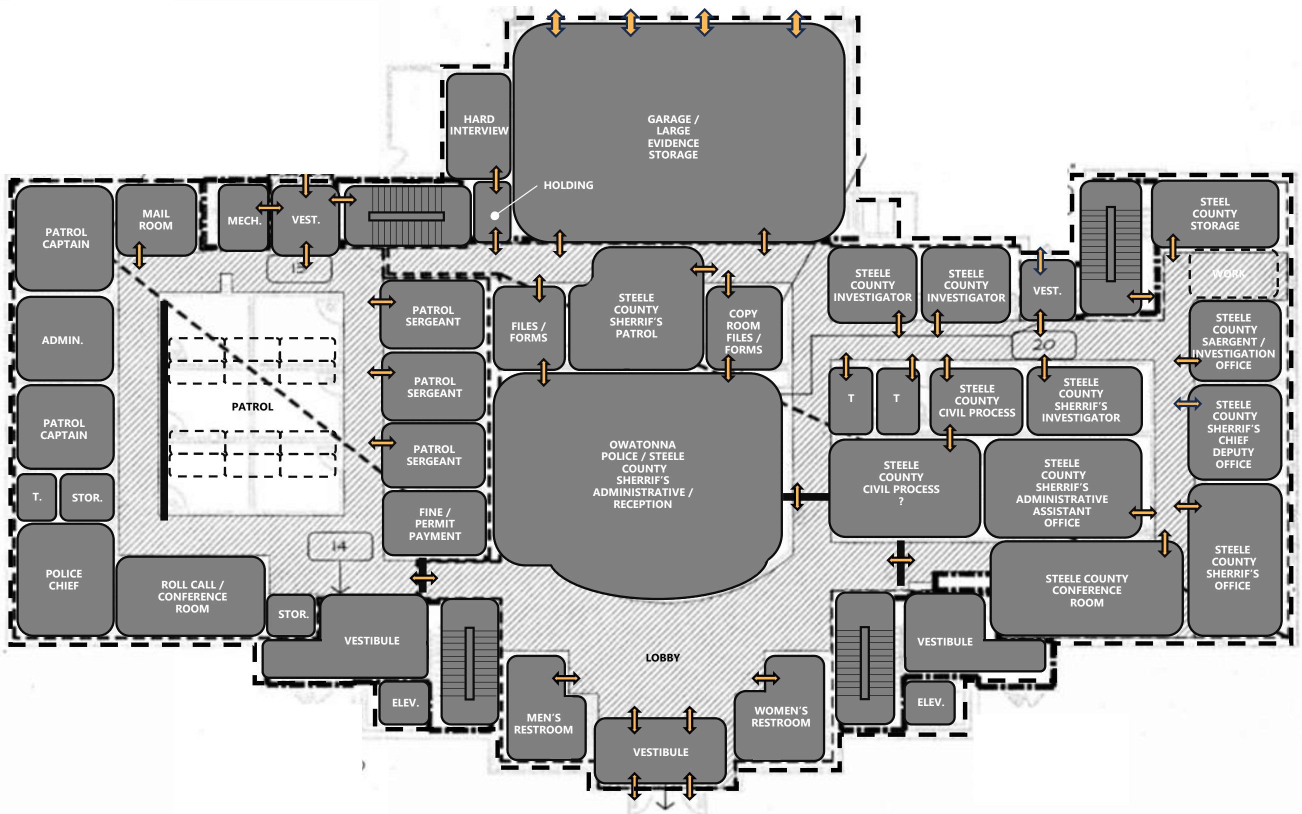
Existing Facilities - LEC



Lower Level

- Gun Cleaning / Armory
- Drug Task Force
- Fitness Room
- Cardio Room
- Locker / Changing / Toilet/Shower
- Breakroom
- Steel County Storage
- Steele County Evidence Processing / Storage
- Building Mechanical Room
- Storage

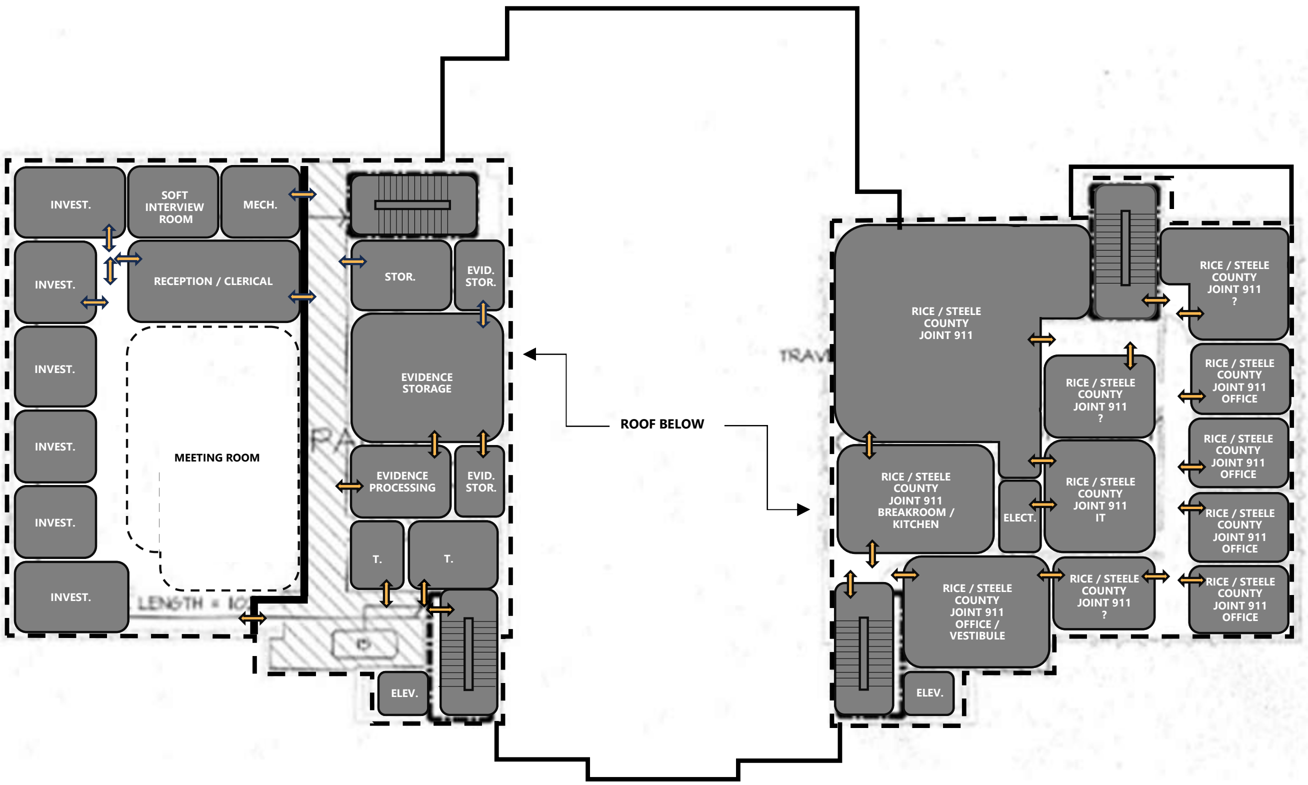
Existing Facilities - LEC



Main Level

- Lobby / Reception / Admin.
  - Shared w/ Steele County
- Administration
  - Chief
  - Patrol Captains
  - Admin. Technician
- Patrol
  - Patrol Sergeant Offices
  - Patrol Workstations
- Steele County Sherriff's Department
- Garage / Large Evidence Storage
  - Currently shared with Steele County
  - 4 Bays
- Hard Interview Room w/ minimal Holding

Existing Facilities - LEC



Upper Level

- Investigators Suite
  - Recept. / Admin.
  - Soft Interview / Victim Room
  - Private Investigator Offices
  - Large Meeting Space
- Evidence
  - Evidence Processing
  - Evidence Storage
- Rice / Steele County Joint 911

Existing Facilities – LEC Deficiencies

General Building Information:

- Original 2-story building was constructed in 1950; apparatus bay addition opened in 1997
- Original building was constructed to serve as a law office, bank and radio station
- Existing Facility is 30,000 SF currently shared with Steele County Sherriff & Rice/Steele County 911
  - Facility needs are 58,000 SF
  - Temporary Swing Space (Former District Office) is 13,000 SF

  Note: Steel County Sherrif & Rice/Steele County 911 vacating the facility frees up another 9,550 SF (18,450 SF short of Facility needs)

Current Infrastructure Needs:

- 2/3 of roofing is due for replacement; Numerous areas of water infiltration (leaks)
- Existing masonry requires tuckpointing / flashing repairs; Existing EIFS is cracking and delaminating
- Existing EIFS is cracking and delaminating
- Windows are at end of life-cycle
- HVAC upgrades are required
- Sewage ejector is located within the facility and continues to have issues with seal / proper exhaust
- Elevators (2) require upgrades identified by state elevator inspector
- Upgrades required to existing finishes that are failing

Current Facility Infrastructure Needs $2.2M

Existing Facilities – LEC Deficiencies

Programmatic Challenges and Deficiencies:

- Building was not originally constructed as a police station and was retrofitted for use as a LEC in 1997
  - Current building configuration (2 towers) creates challenges for a contiguous / collaborate working environments
- Facility lacks adequate separation of public / law enforcement spaces to reinforce security and data privacy
  - Public needs to be escorted through staff work areas to be meet with officers and to get to interview rooms potentially compromising sensitive data
- Facility lacks dedicated family/victim and interview rooms located directly off main lobby
- Facility lacks appropriate secure in-custody holding facilities for the safety of both officers and in-custody individuals.
  - The current facility lacks a secure Vehicle Sallyport to transfer in-custody individuals in and out of squad vehicles and into/out of the building.
  - There are currently no holding cells in the facility and the room currently used to temporarily hold an individual is not directly located off the current garage requiring officers to escort that individual through the building.
- Lack of dedicated cool down / mental health facilities for officers who need to decompress, meet with a mental health professional, and accommodate traveling officers that need to attend court after working their shift

Existing Facilities – LEC Deficiencies

Programmatic Challenges and Deficiencies (Cont'd.):

- Evidence storage is located on a second level space and cannot be expanded.
- Facility lacks community / regional training space (i.e., classroom/meeting room) for
- Site lacks a dedicated public parking area
- Gun cleaning / ammunition storage area is inadequate
- Special investigations offices in the basement of the facility in an undersized space with no access to daylight
- Site / facility lack adequate buffers and hardening measures to protect those working in the building
- If the Steele County Sheriff's Department areas are reconfigured and remodeled for police use, the facility still requires substantial building additions to meet current and future needs of the following spaces:
  - Evidence processing and storage
    - Including large evidence storage (i.e., seized vehicles, bicycles, etc.)
  - A secure Sallyport
  - Secure enclosed parking for police vehicles and equipment

Tour of New Facilities

September 6th Tours:

New Police Stations

- Crystal Police Department
- New Hope Police Department
- Lakeville Police Department
- All Facilities had the following:
  - Covered/Secure Parking
  - Holding Cells w/ Sallyport
  - Mental Health / Cooldown Rooms
  - Interview Rooms off Lobby
  - Good Circulation/Flow

New Fire Stations

- Roseville Fire Station
- Burnsville Fire Station #1
  - Improved version of Roseville
  - Living Quarters
  - Decontamination
  - Training Facilities
  - Conference / Training off Lobby

Previous Tours (7/10, 7/23 & 9/8):

Other Police Stations – Previous Tours

- New Hope Police Department
- Minnetonka Police Department
  - Additions and Remodel of Existing Facility
  - Holding Cells
- Eagan Police Department
  - Additions and Remodel of Existing Facility
  - Media / Small Conference Room
  - Cameras at
  - Holding Cells
- Lakeville Police Department

Other Fire Stations

- Eagan Fire Station #1
- Burnsville Fire Station #1
- Roseville Fire Station
- Newport Safety Center *
  - On-Call Fire Department
  - Washington County Sherriff
- Albert Lea Fire Station

Take Aways from Existing Facilities and Tours of Modern Facilities

Addressing Outdated, Cramped Facilities

The City's current police and fire buildings are outdated and are facing increasing deferred maintenance issues. This includes essential systems, such as mechanical, electrical, plumbing and technology. The existing physical constraints and space inside each building are not functional, which hinders effective workflow and cannot adapt to modern-day operational standards.

Creating Modern, Functional Spaces

The City is exploring options to create modern, functional facilities to support first responders and their ability to provide efficient and effective service for the community, with space to grow and adapt for years to come.

Building a Stronger Community

Ensuring the City's police and fire departments are well-equipped to provide effective and efficient public safety services is an investment in our community's quality of life for decades.

Site Selection

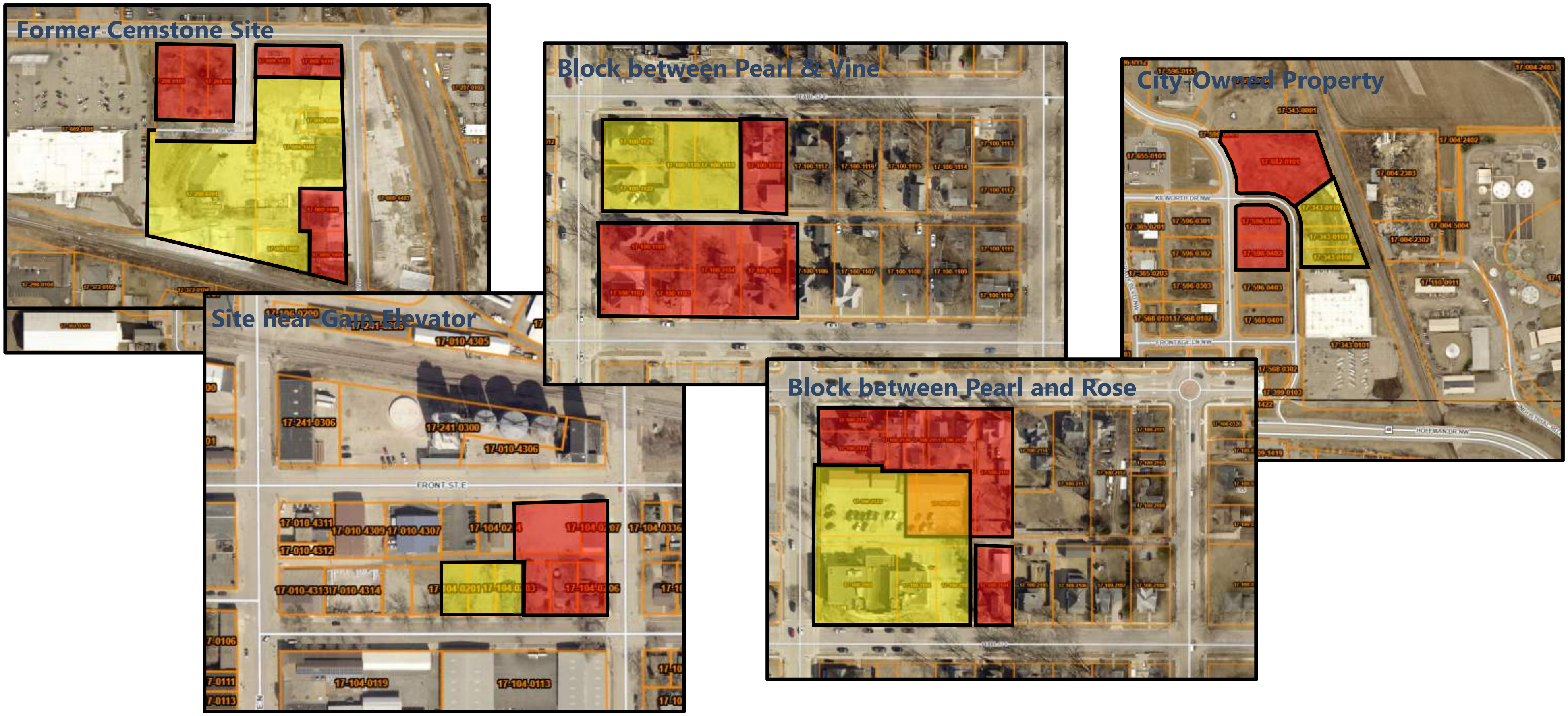
Three questions need to be answered in determining a Public Safety Center site(s):

1. **Is the City building a joint facility or separate facilities?**
2. **Is this a phased project?**
3. **Which is the preferred option that can be recommended to the Sterring Committee?**

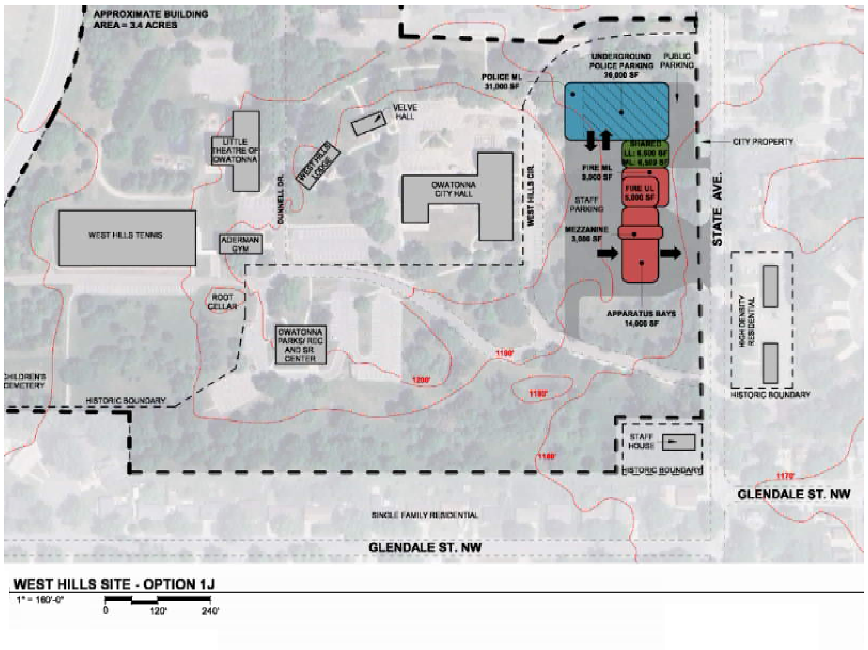
Considerations:

- Options only shown on property that the City already owns based on the review of all sites previously considered with the following criteria:
    - Consider Site Acquisition and Development costs **PLUS** Cost of Time (5-6% per year) to acquire Properties
    - Consider Cost of Time (5-6%) for a phased approach if facilities are split and cannot be constructed at within the same time frame – additional costs of +/-

Recap: Properties Considered for Public Safety Facilities



Recap: Option #1a – Combined Safety Center @ West Hills Campus



Note: Option #1b would flip the orientation so that the fire station is in the upper most northeast corner of the site – DUE TO PARCEL DIMENSIONS THIS OPTION WILL NOT WORK

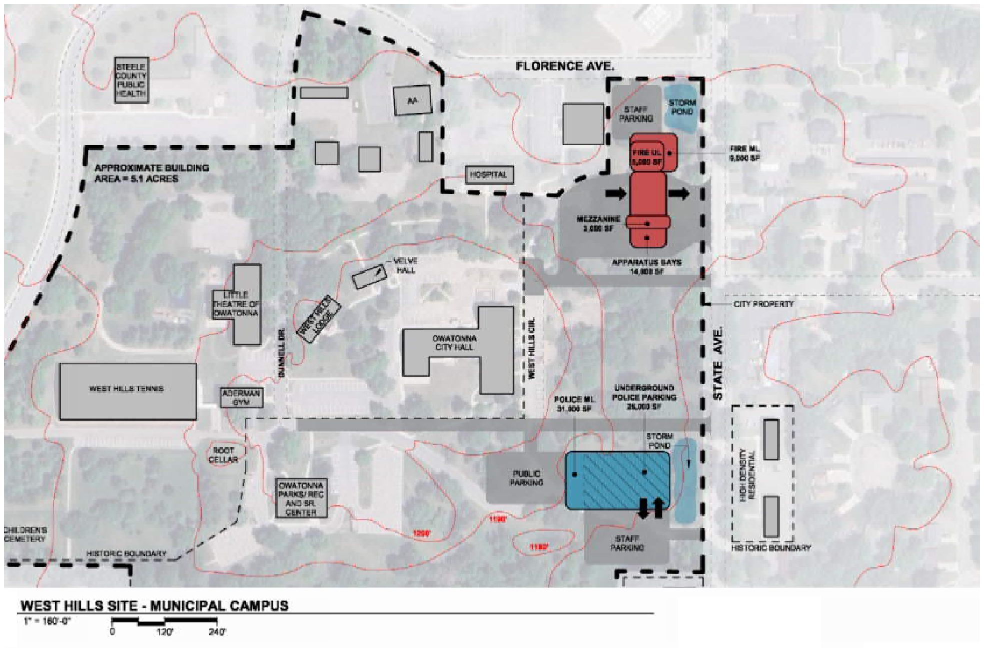
Pros:

- City already owns the property
- Adjacent to main arterial road

Challenges/Cons:

- Fire is not as centrally located as it would be at LEC site
- Public perception of cutting down trees; front lawn seen as a "park"
- Concern that the facility will block the view from State Avenue of the City Hall and detract from the campus

Recap: Option #2a – Separate Fire & Police @ West Hills Campus



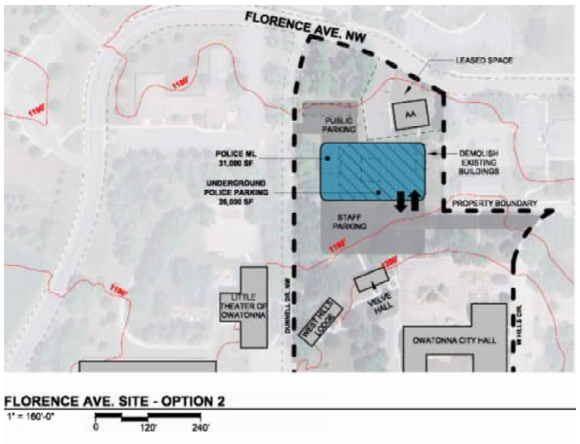
Pros:

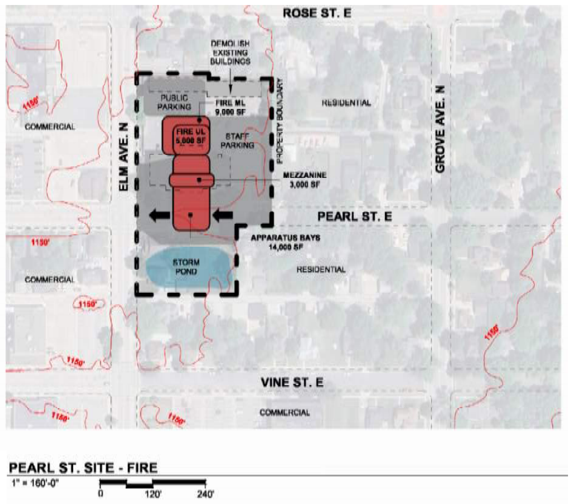
- City already owns the property
- Adjacent to main arterial road

Challenges/Cons:

- Fire is not as centrally located as it would be at LEC site
- Added costs due to two (2) separate facilities
- Not enough property in the NE corner to position Fire at the peak of the hill

Recap: Option #2b – Separate Fire & Police @ Separate Sites





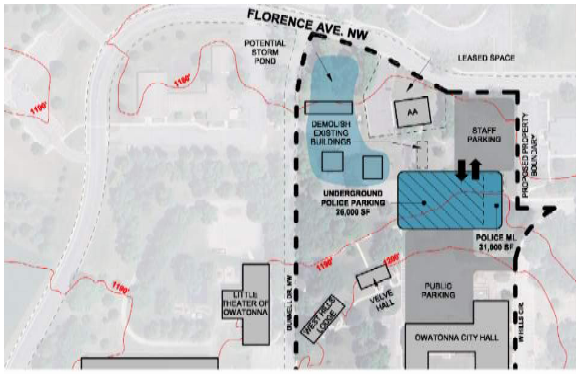
Pros:

- City already owns the property
- Adjacent to main arterial road
- Fire is centrally located

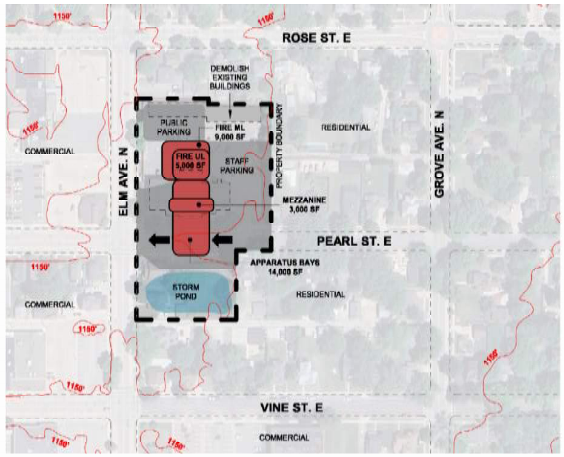
Challenges/Cons:

- Added cost to replace the Carpentry Shop and Garages somewhere on the West Hills Site or other City owned property
- Added costs due to two (2) separate facilities

Recap: Option #2c - Separate Fire & Police @ Separate Sites



FLORENCE AVE. SITE - POLICE
1" = 160'-0"
0 120' 240'



PEARL ST. SITE - FIRE
1" = 160'-0"
0 120' 240'

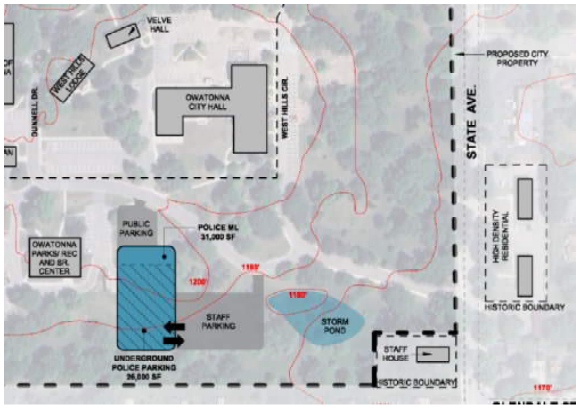
Pros:

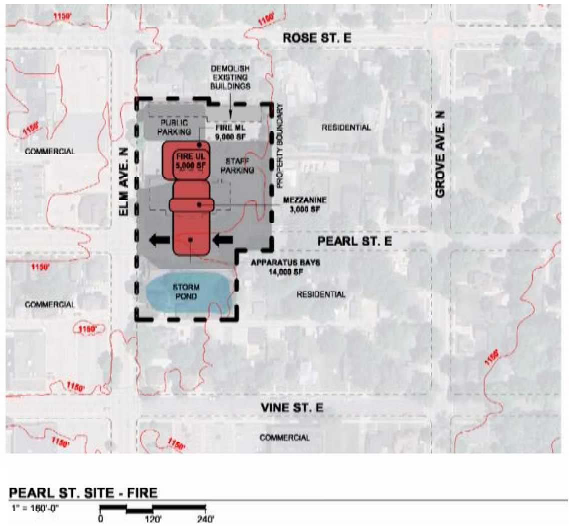
- City already owns the property
- Adjacent to main arterial road
- Fire is centrally located

Challenges/Cons:

- Need to replace the Carpentry Shop and Garages somewhere on the West Hills Site or other City owned property
- City needs to acquire the old hospital site.
- Added costs due to two (2) separate facilities

Recap: Option #2d - Separate Fire & Police @ Separate Sites





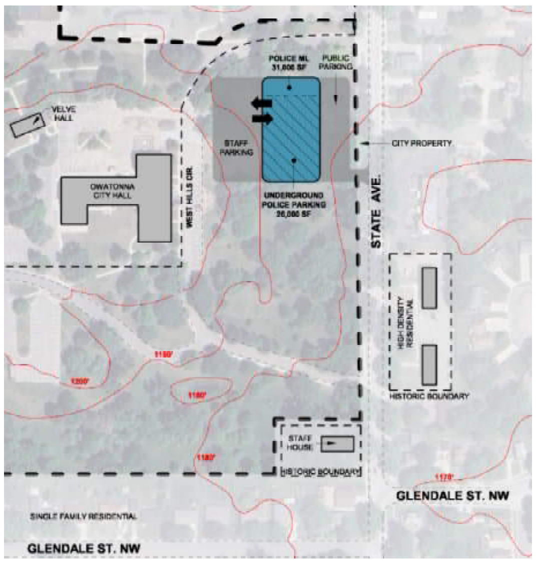
Pros:

- City already owns the property
- Adjacent to main arterial road
- Fire is centrally located
- No structures need to be demolished and/or replaced

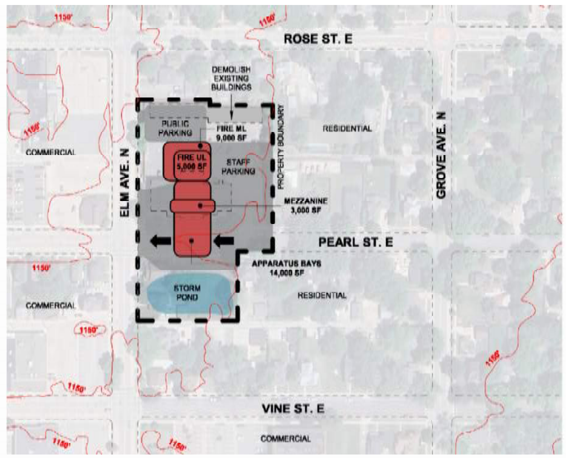
Challenges/Cons:

- Added costs due to two (2) separate facilities

Recap: Option #2e - Separate Fire & Police @ Separate Sites



WEST HILLS SITE - OPTION 1K
1" = 160'-0"
0 120' 240'



PEARL ST. SITE - FIRE
1" = 160'-0"
0 120' 240'

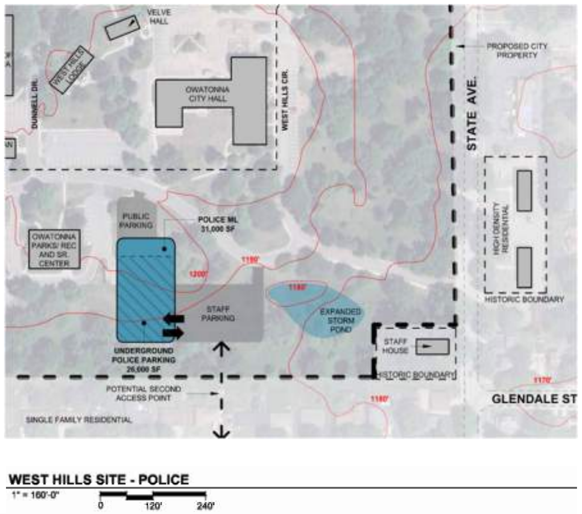
Pros:

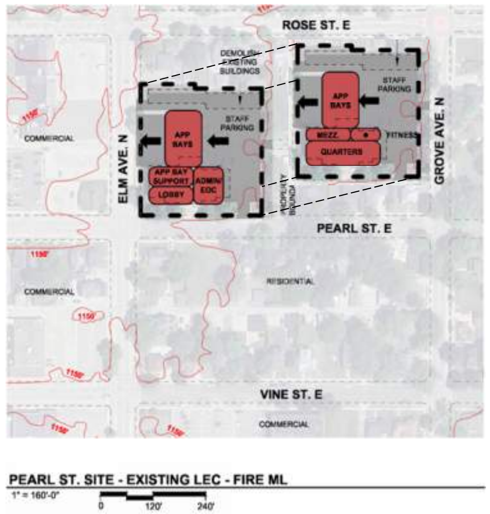
- City already owns the property
- Adjacent to main arterial road
- Fire is centrally located
- No structures need to be demolished and/or replaced

Challenges/Cons:

- Added costs due to two (2) separate facilities

Recap: Option #2d – Option #2 - Separate Fire & Police @ Separate Sites





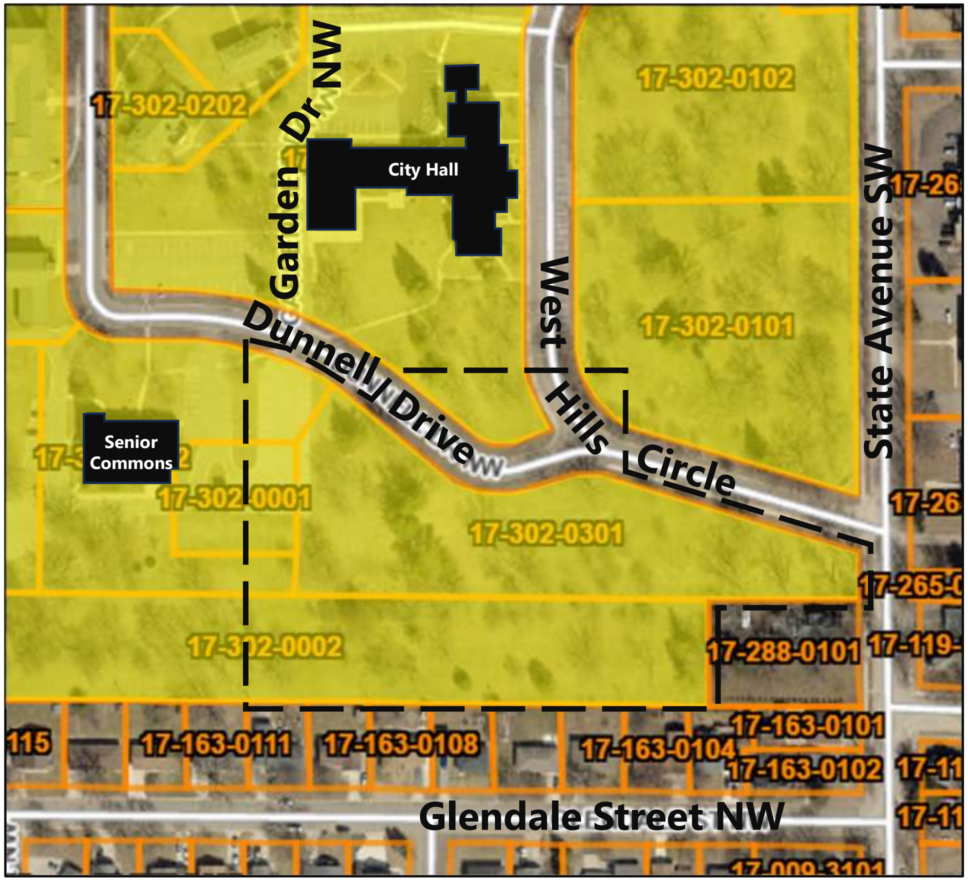
Pros:

- City already owns the property
- Adjacent to main arterial road
- Fire is centrally located
- No structures need to be demolished and/or replaced

Challenges/Cons:

- Added costs due to two (2) separate facilities
- Fire Station site is extremely tight with no ability to expand

Police Department Site – West Hills Campus



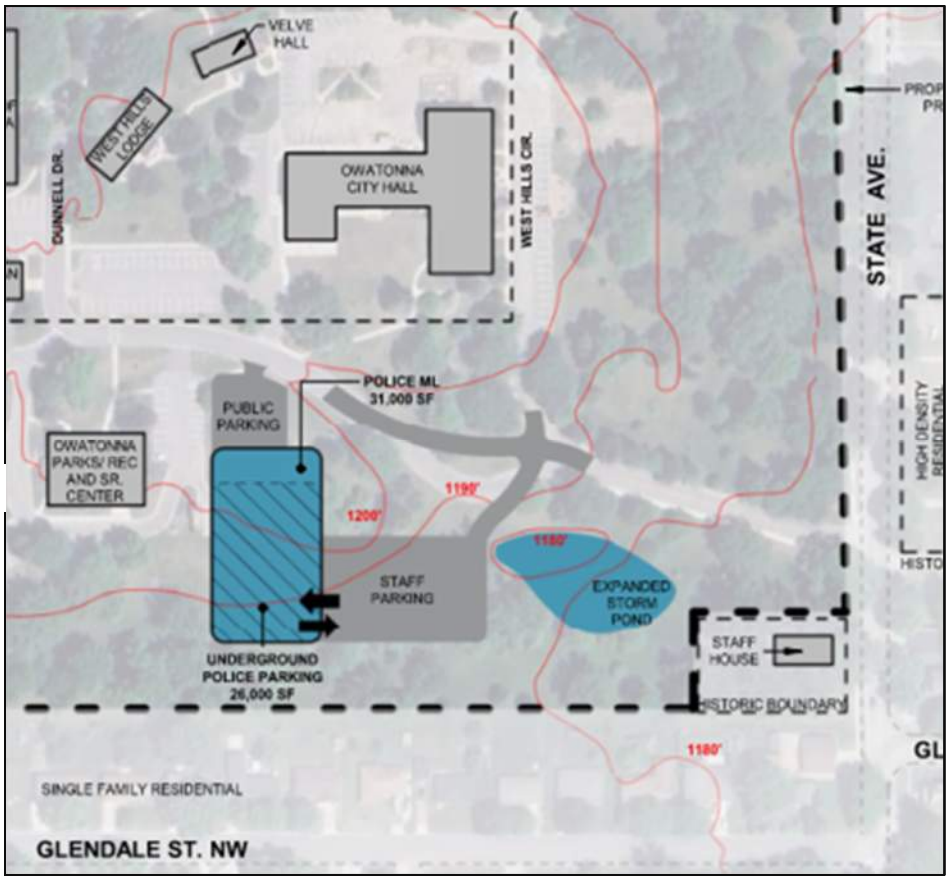
Pros:

- City owns enough property to meet the needs of a new Police Station.
- Existing grading of the site lends itself to a tuck-under garage for secure storage of police vehicles and equipment
- Site is adjacent to arterial roads
- Enhances security to the campus

Challenges:

-

Proposed New Police Station Site Layout



WEST HILLS SITE - POLICE

1" = 160'-0"   0   120'   240'

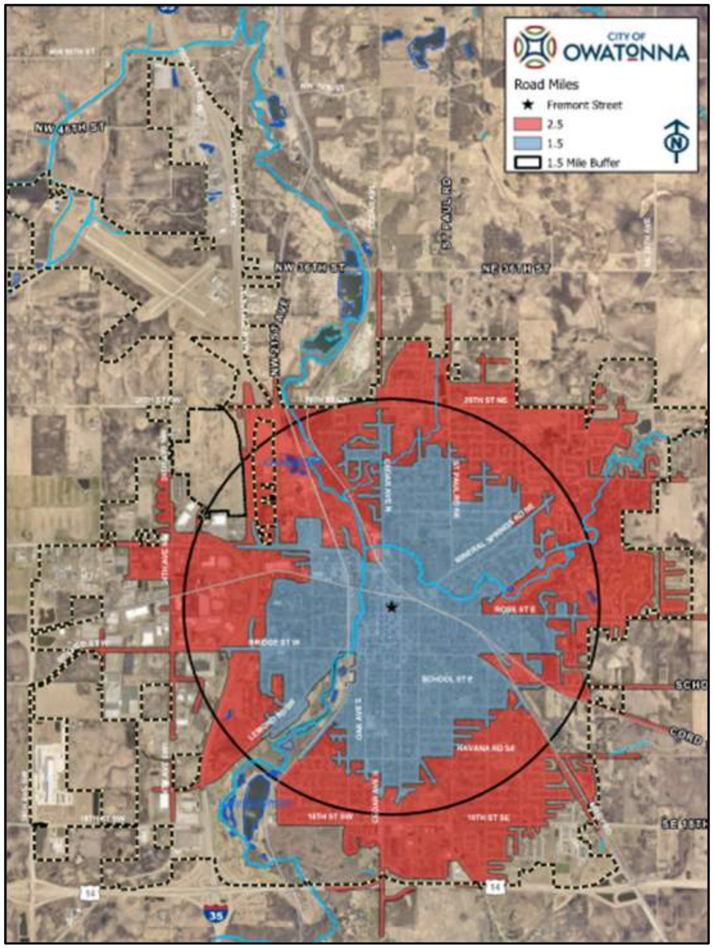
Pros:

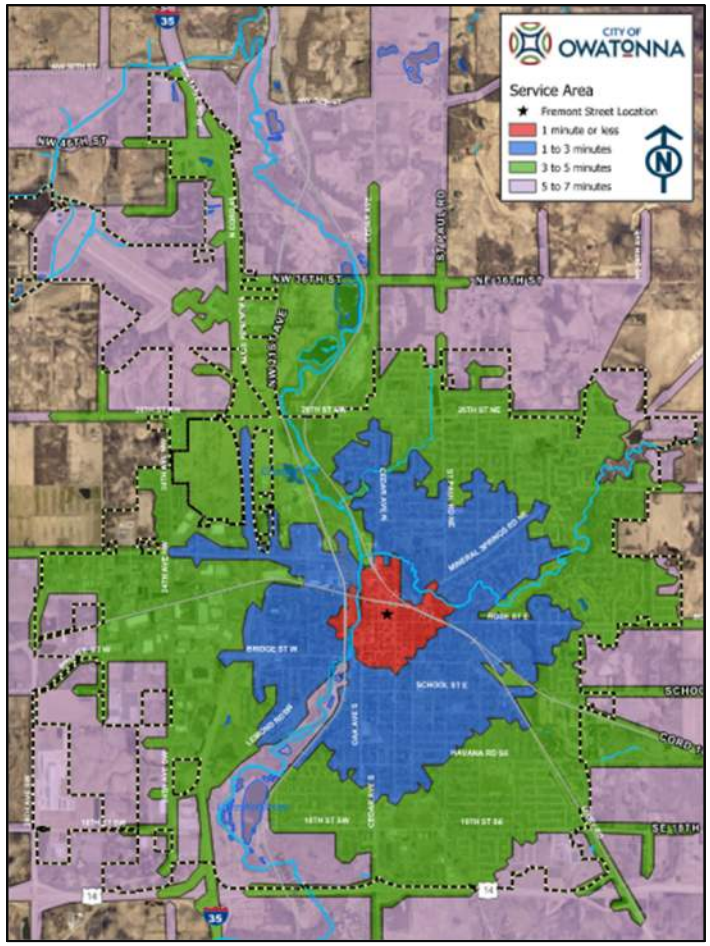
- City owns enough property to meet the needs of a new Police Station.
- Existing grading of the site lends itself to a tuck-under garage for secure storage of police vehicles and equipment
- Site is adjacent to arterial roads

Challenges:

-

Response Times – Fire Department

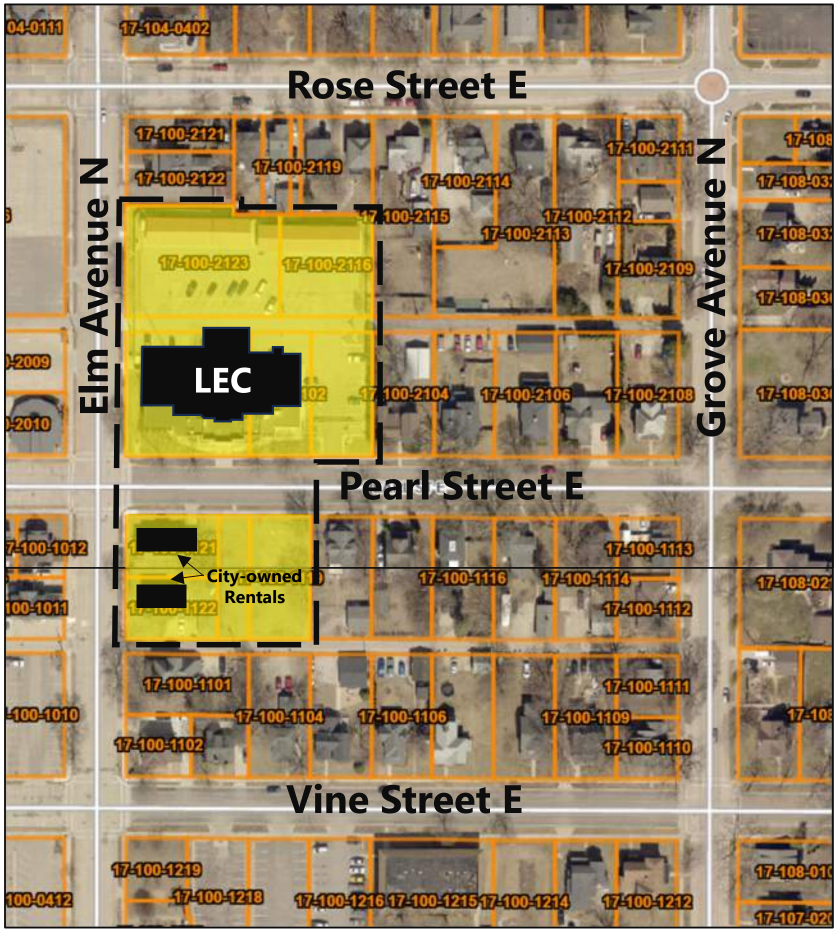




Location:

- The fire station needs to be centrally located to maximize response times
  - Minimize the amount of road miles and time it takes for on-call firefighters to get to the station.
- In evaluating current City-owned property, the existing LEC site best fits this criteria
  - Minimizes road miles traveled and response time for the majority of the City.

Fire Department Site – Existing LEC Campus



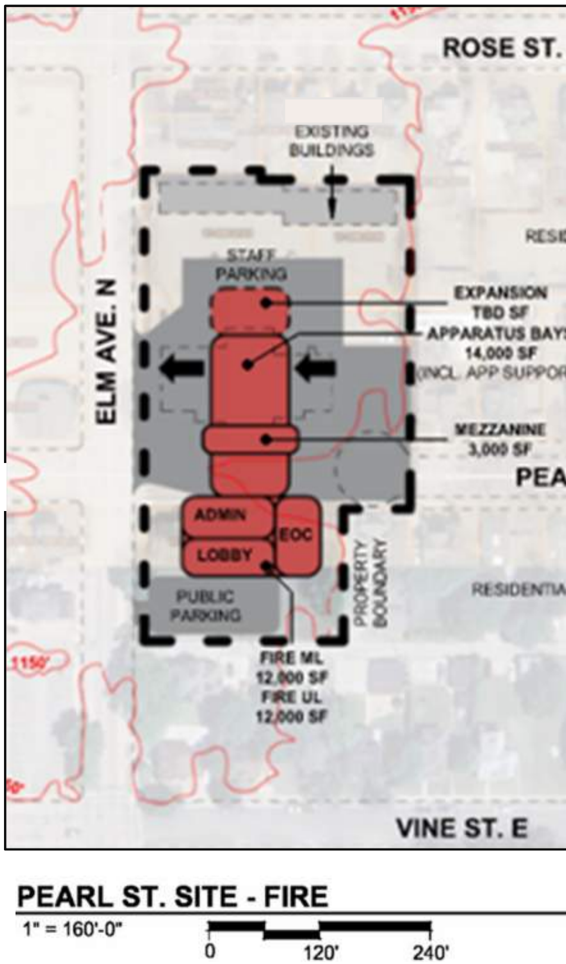
Pros:

- Site is centrally located to best address road miles traveled and overall response times.
- City owns property north and south of Pearl Street
  - Five (5) parcels north of Pearl Street (Existing LEC Site)
  - Four (4) parcels south of Pearl Street
- Site is adjacent to arterial roads

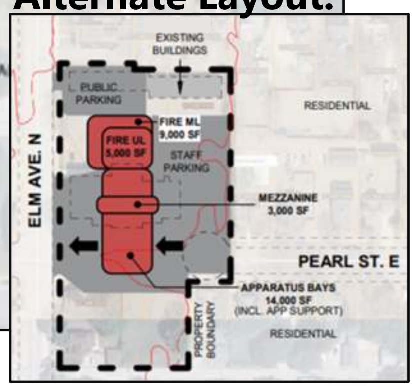
Challenges:

- A portion of Pearl Street will require closure to link the two City-owned sites to provide enough acreage for the new facility.

Proposed New Fire Station Site Layout



Alternate Layout:



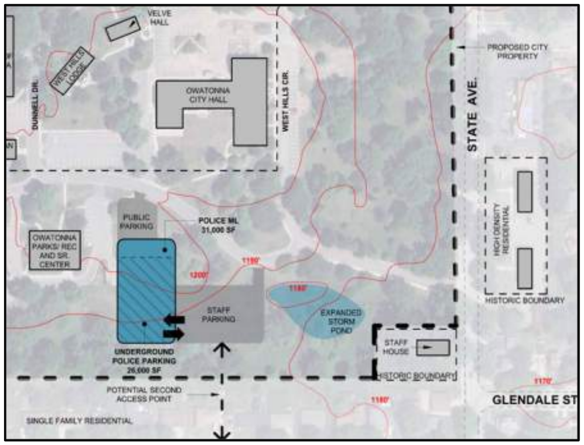
Pros:

- Site is centrally located to best address road miles traveled and overall response times that meet the Fire Departments needs
- City owns property north and south of Pearl Street
  - Five (5) parcels north of Pearl Street (Existing LEC Site)
  - Four (4) parcels south of Pearl Street
- Site is adjacent to arterial roads
- Property provides for future expansion (if needed)
  - Potentially delays the need for a future satellite station dependent upon how fast and in which direction the City of Owatonna grows

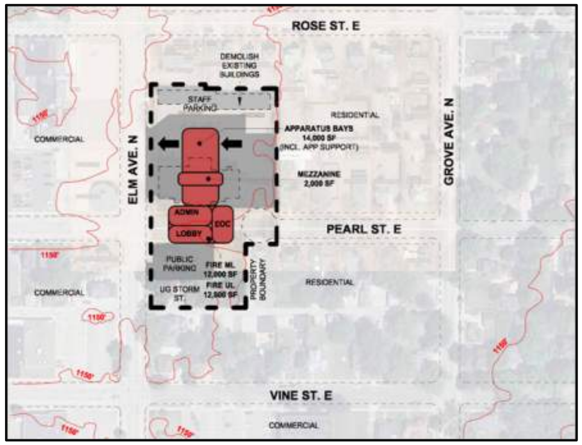
Challenges:

- A portion of Pearl Street will require closure to link the two City-owned sites to provide enough acreage for the new facility.

Separate Fire & Police at Separate City-Owned Sites



WEST HILLS SITE - POLICE
1" = 160'-0" 0 120' 240'



PEARL ST. SITE - FIRE
1" = 160'-0" 0 120' 240'

Pros:

- City already owns the property
- Adjacent to main arterial roads
- Fire is centrally located
- Existing site conditions accommodate a desired building configuration for Police

Challenges:

- Added costs due to two (2) separate facilities

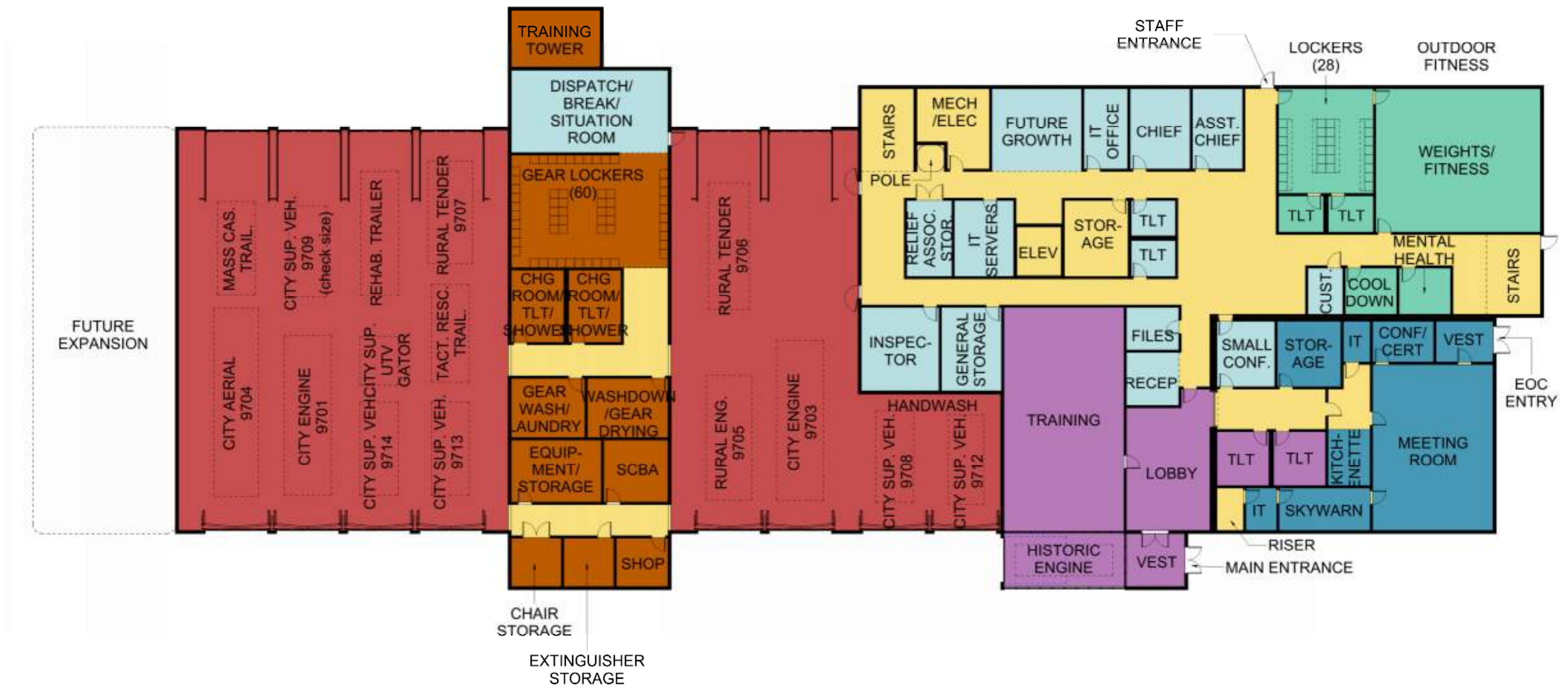
Budget Estimate

New Fire Station Construction	$	16,200,000
New Police Station Construction	$	23,200,000
Training Facilities / Features	$	250,000
Facility Hardening Features (Bldg./Site)	$	500,000
Furniture, Fixtures & Equipment (FFE)	$	1,850,000
Technology (Screens/Wake-Up Syst.)	$	300,000
Security (Card Reader/Camera/Other)	$	270,000
Site Costs (Placeholder)	$	3,850,000
Police Station – Swing Space Renov.	$	375,000
Demolish Existing LEC & Garages	$	425,000
Subtotal Estimated Project Cost:	**$**	**46,945,000**
Professional Services (Design/Mgmnt.)	$	8,593,500
Fees, Permits, Testing, etc.	$	1,148,900
Land Costs	$	510,000
Contingency (8% - Design & Constr.)	$	3,755,600
Total Estimated Soft Costs:	**$**	**14,008,000**
Total Estimated Project Costs:	**$**	**60,953,000**

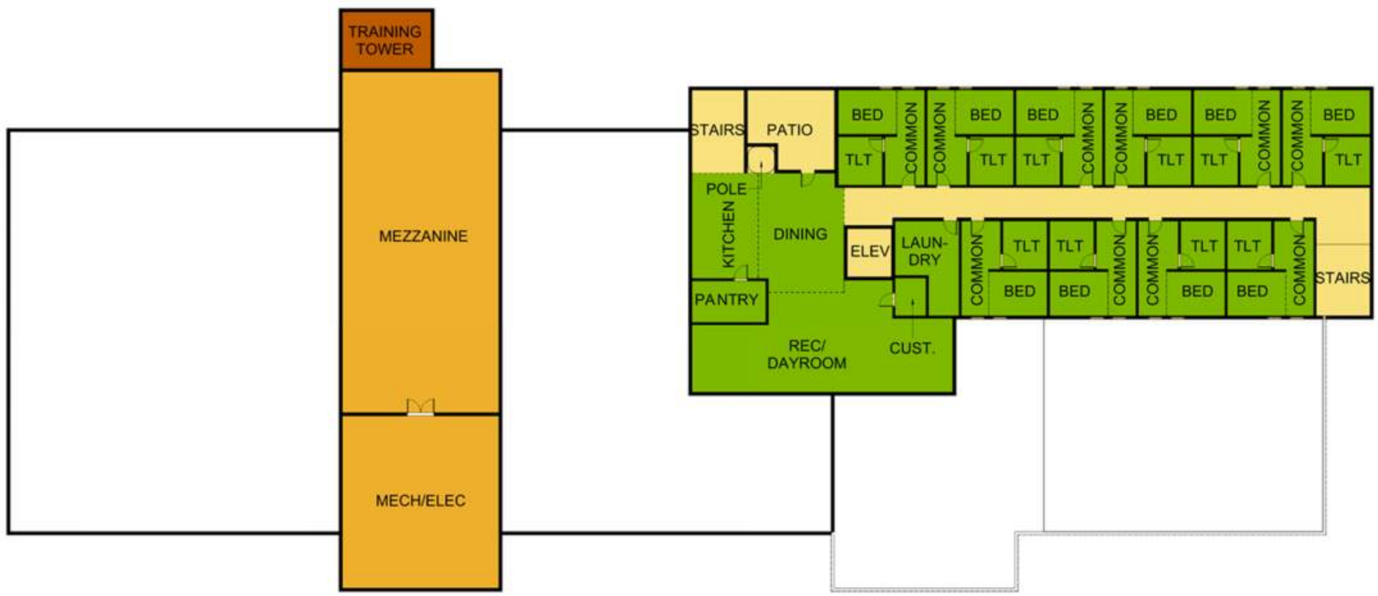
Schematic Design Update: New Police Facility – Site Plan

DESIGN TREE engineering + land surveying | Wold

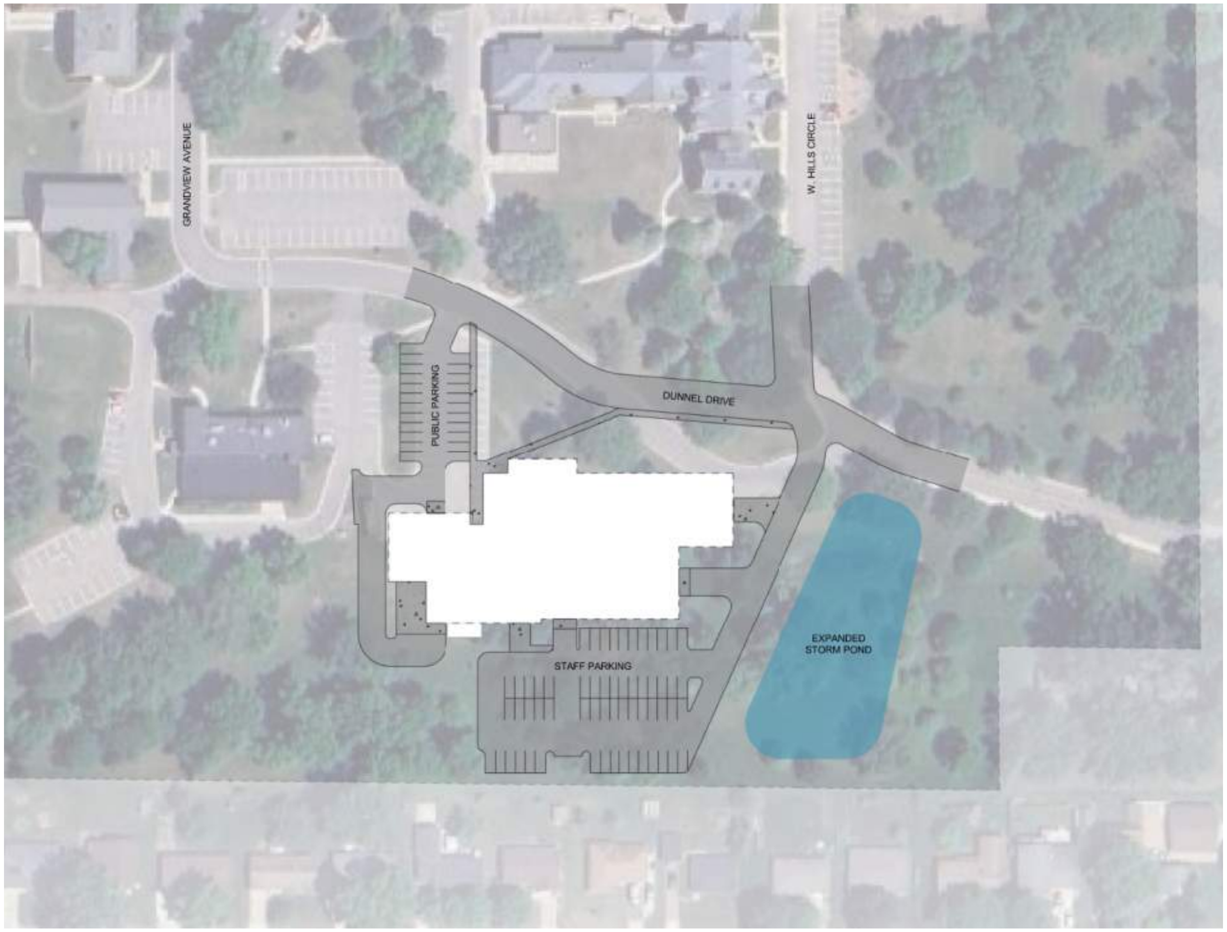
Schematic Design Update: New Police Facility – Main Level Floor Plan



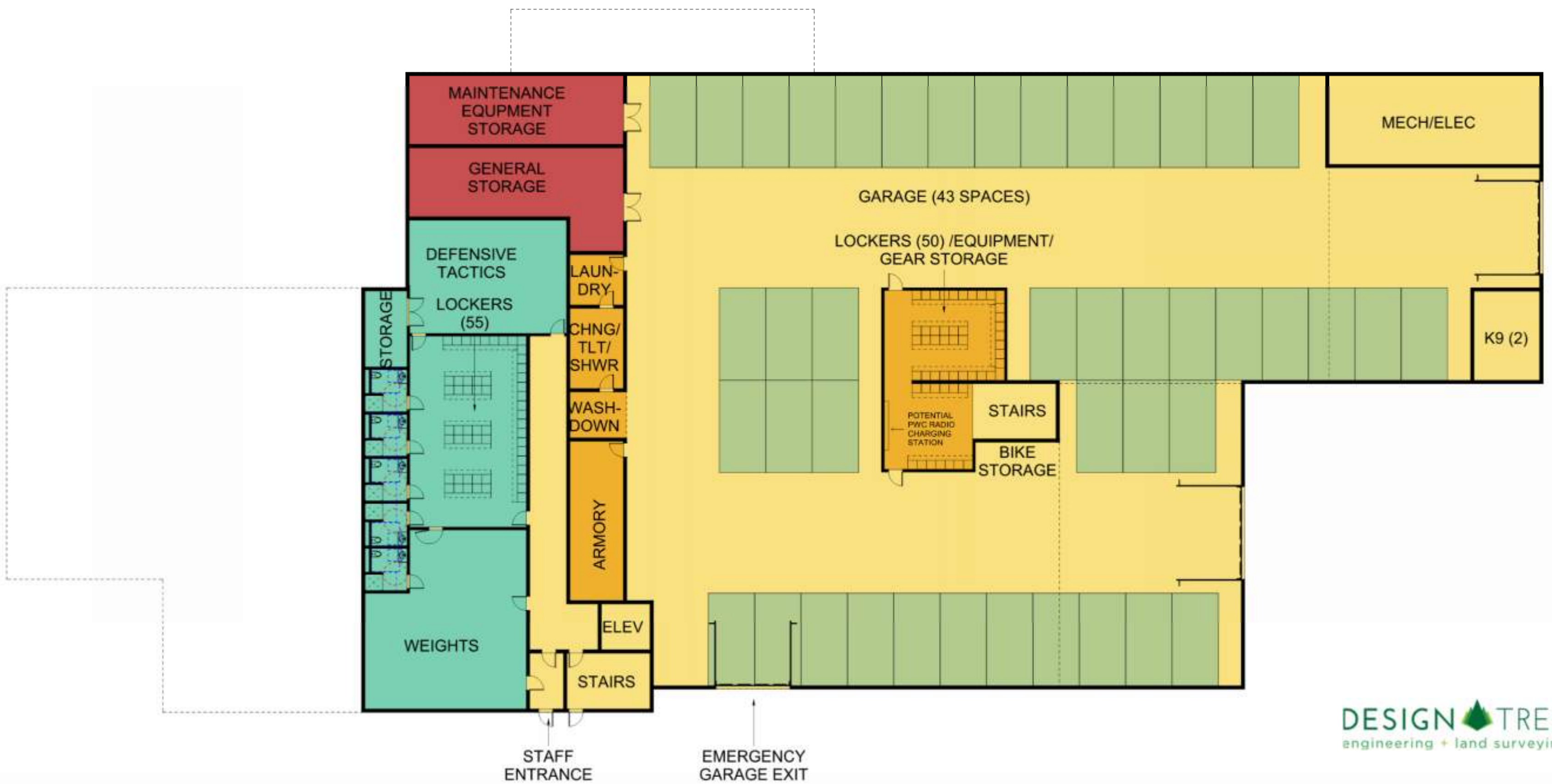
Schematic Design Update: New Police Facility – Upper Level Floor Plan



Schematic Design Update: New Police Facility – Site Plan

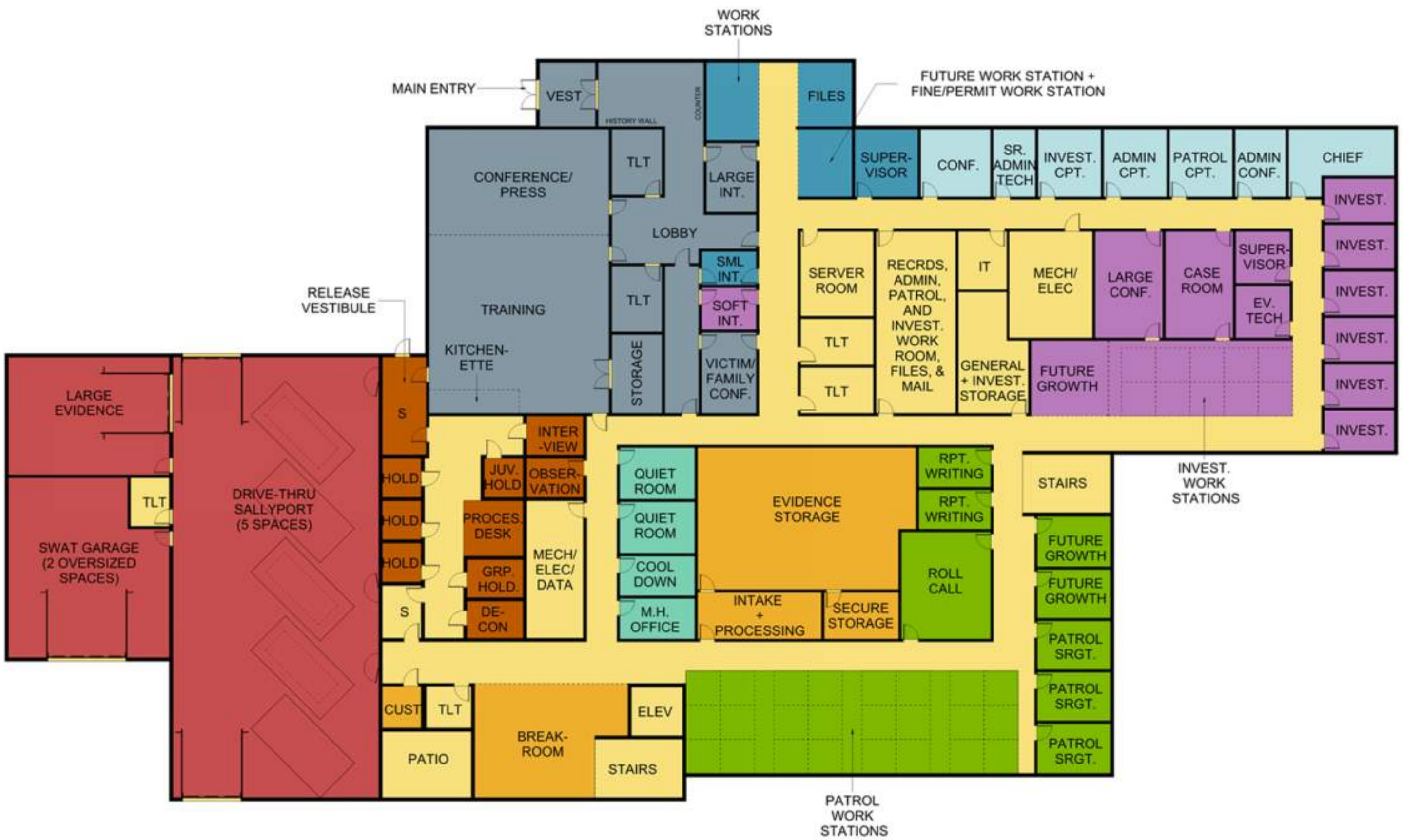


Schematic Design Update: New Police Facility – Lower Level Floor Plan

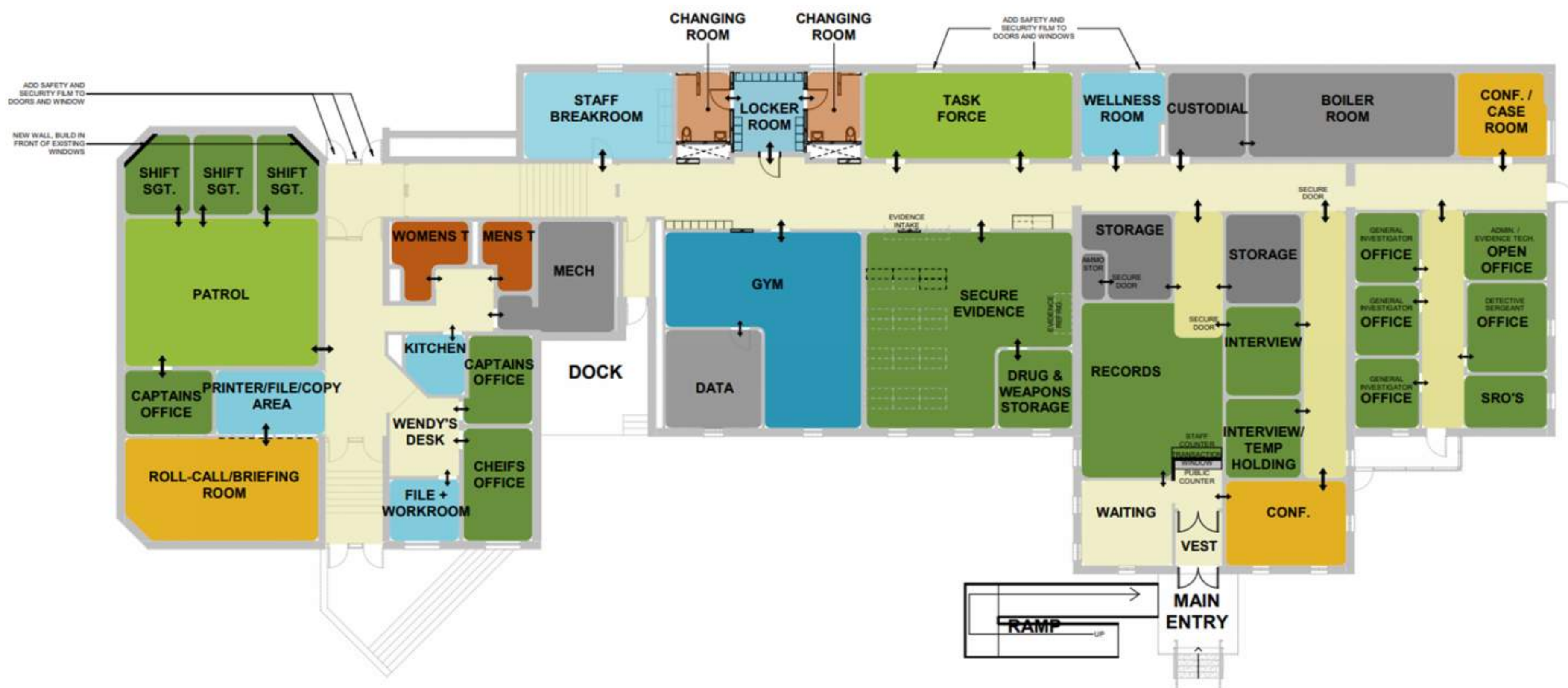


DESIGN TREE engineering + land surveying | Wold

Schematic Design Update: New Police Facility – Main Level Floor Plan



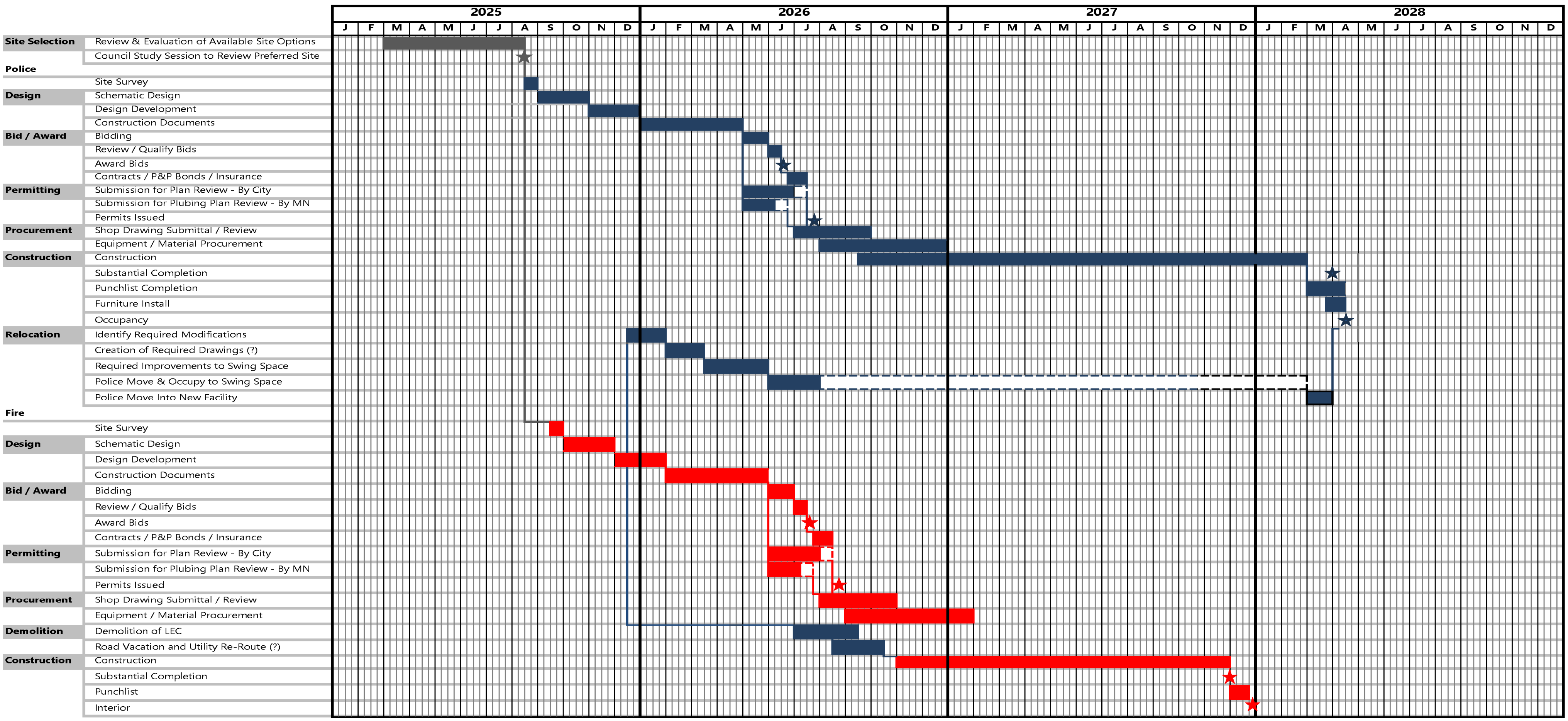
Temporary Swing Space for Police



DESIGN TREE engineering + land surveying

Wold

Proposed Public Safety Facilities Timeline



Next Steps

- Incorporate feedback received from Council received at today’s study session
- Continue to work with City of Owatonna staff to assist in project communications
- Continue to refine the design and budget estimates
- Continue to update Council periodically as design progresses


QUESTIONS?

Police & Fire Station Construction Projects

November 18, 2025

Goals for the Work Session

- To continue discussion about the cash & fund balances of the City
- To discuss the potential financing strategies for the Police & Fire Stations
  - ✓ Property Tax Levy Changes
  - ✓ Debt Issuance Assumptions
- To inform the next steps in the development of the Financial Management Plan

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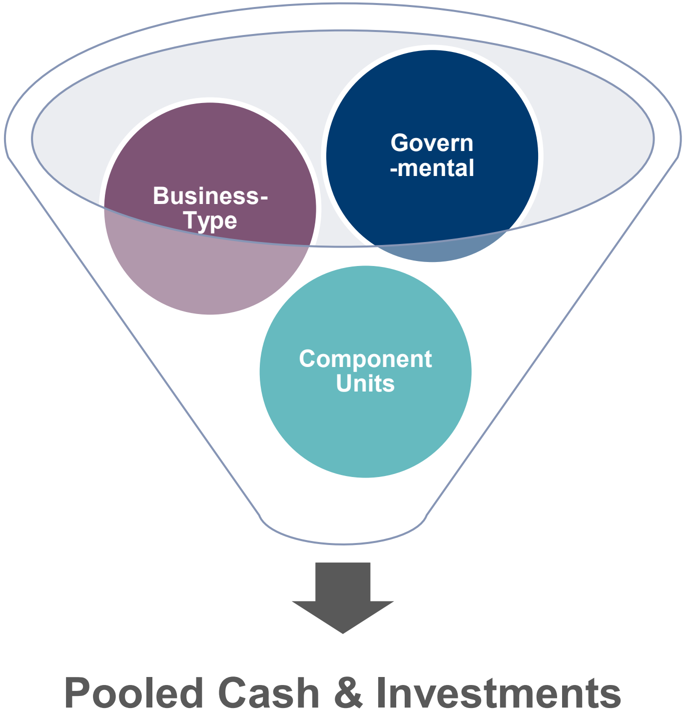
Police & Fire Station Construction Projects

FUND BALANCES & INVESTMENTS

Where Do We Get Fund Balances?

The total savings of the City since the beginning of time!

- For accounting purposes, the City divides its activities into different funds
- The City then pools the cash & investments into common accounts to…
  - ✓ Maximize investment income
  - ✓ Reduce administrative burden
  - ✓ Manage liquidity & safety



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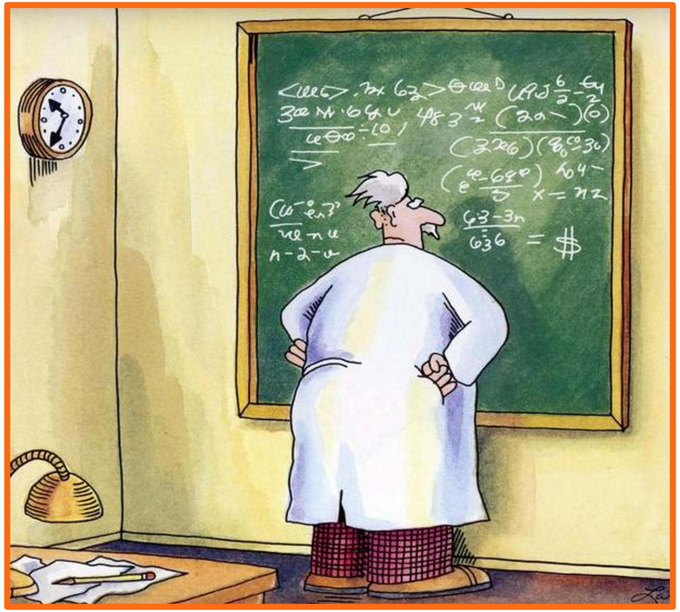
Why Do We Need Fund Balances?

- Sustain operations between property tax settlements
  - ✓ Operating costs
  - ✓ GFOA recommends 35% to 50% of next year's General Fund expenditures
- Cover unanticipated costs
  - ✓ Unforeseen circumstances
  - ✓ Emergencies
- Support long-term financial planning & expenditures



Recommended Fund Balance Requirements

Fund	Description	Requirement	Measurement	Basis
General	Small Local Governments	> $500,000	Credit Rating Agency Req.	Fund Balance
	All Others	42%–50%	Subsequent Year Expenditures	
Special	Property Tax Supported	25%–50%	Subsequent Year Expenditures	
	Other Revenues	0%–50%		
Capital	Equipment & Improvements	25%–35%	Five-Year Rolling Average	
Enterprise	Public Utility	Varies	Six-Months Operating + Debt Service + Capital Projects	Cash Balance
	Other			

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Estimated Available Cash & Fund Balances

Fund	Available	Policy Amount
General Fund	Pending	45% of Next Year's Ops.
Capital Projects Funds	Pending	None Established
Special Revenue Funds	Pending	None Established
Debt Service Funds	~$2,760,000	None Established
Other Funds	Pending	None Established

Assumptions

a) Individual funds may be subject to specific legal restrictions
b) May not reflect availability based on current or future capital plans
c) Policy thresholds may change due to the Financial Management Plan

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Police & Fire Station Construction Projects

CAPITAL FINANCING ALTERNATIVES

Capital Project Financing Alternatives

"Pay As You Go"

Cash & Reserves

- Use existing cash flow or reserves
- Efficient for short-lived assets
- Sometimes difficult to save enough
- Those who "paid" may not benefit
- May cause tax rates & user fee issues

"Pay As You Use"

Interfund Loans

- Loan between two or more funds
- All funds should be treated fairly
- May cause reserve & cash flow issues
- May keep any interest income
- More flexible & lower financing costs

Debt

- Preserves cash & reserves
- Asset amortized over its useful life
- Those who "paid" benefit
- Better manages tax rates & user fees
- May structure certain terms

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Debt Issuance Options

- Are there ways to reduce the property tax levy impact?
  - ✓ Phase-in the debt service over two or three years
  - ✓ Extend the term of the bonds
- These modifications tend to increase the overall borrowing costs

Option	Term	Debt Service	Par
1A	20 Years	Full, First Year	63,250,000
1B		Phased, Three Years	63,290,000
2A	25 Years	Full, First Year	63,355,000
2B		Phased, Three Years	63,385,000

For the Fire & Police Stations
Estimated Total Cost of $61,131,096

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Debt Issuance Options: Possible Terms

Option No.	Term (in years)	Estimated True Interest Cost	Estimated Average Annual Debt Service	Estimated Interest Payable	
				Total	Change
1A, Full	20	3.91%	4,815,618	29,899,244	-
1B, Phase	20	3.98%	4,779,249	33,756,539	3,857,295
2A, Full	25	4.18%	4,311,704	40,831,583	-
2B, Phase	25	4.22%	4,306,288	44,806,275	3,974,692

Assumption

a) $61,131,096 construction fund deposit
b) Non-bank qualified market rates at Aa1 plus 50 basis points, as of November 12, 2025
c) Includes capitalized interest
d) Debt service at 105% or principal & interest payments

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Debt Issuance Options: Potential Levy Impact

Option No.	Proposed 2026 Property Tax Levy	Estimated Annual Property Tax Impact			
		Year No. 1	Year No. 2	Year No. 3	
		Levy Increase	Levy Increase	Levy Increase	Total
1A, Full	21,940,620	21.95%	0.00%	0.00%	4,816,888
1B, Phase		11.29%	4.97%	5.02%	4,977,859
2A, Full		19.65%	0.00%	0.00%	4,310,326
2B, Phase		12.05%	3.70%	3.42%	4,423,235

Assumptions

a) Debt service at 105% or principal & interest payments
b) Non-bank qualified market rates at Aa1 plus 50 basis points, as of November 12, 2025
c) No other changes in the property tax levy

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Debt Issuance Options: Property Taxes Payable

Option No.	Residential Homestead Value	Estimated Annual Property Tax Impact			
		Year No. 1	Year No. 2	Year No. 3	Total
1A, Full	300,000	400.01	0.00	0.00	**400.01**
1B, Phase		205.79	67.59	140.10	**413.48**
2A, Full		358.15	0.00	0.00	**358.15**
2B, Phase		219.56	42.30	105.55	**367.41**

Assumptions

a) Debt service at 105% or principal & interest payments

b) Non-bank qualified market rates at Aa1 plus 50 basis points, as of November 12, 2025

c) Based on Pay 2025 valuations & property tax rates

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Statutory Debt Limit

Statutory Debt Limit, Pay 2025	
Estimated Market Value	$3,164,222,200
Debt Limit Factor	3.00%
Current Debt Limit	$94,926,666
Less: Existing Debt	($11,705,000)
Less: Proposed Debt	($63,385,000)
Debt Capacity	**$19,836,666**

Assumptions

a) Uses the proposed debt alternative with the highest par
b) Subject to change

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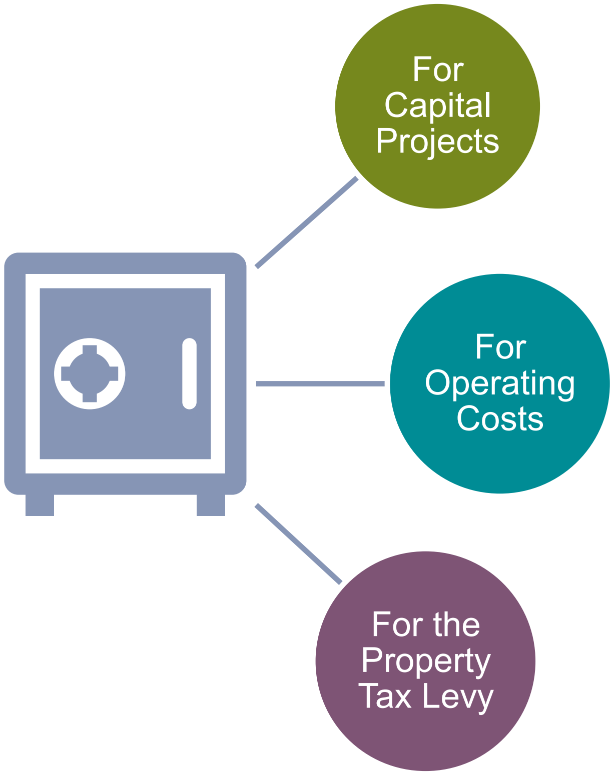
How To Use Cash? And When?

- The City may use its general reserves on any allowable public purpose
- To guide use of reserves, the City should consider…
  - ✓ Financial stability & anticipated cash flows
  - ✓ The amount & frequency of the expenditure in question
  - ✓ Any other potential activities or needs
- Any planned use of reserves should consider possible replenishment



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Police & Fire Station Construction Projects

NEXT STEPS

Tentative Next Steps

Activity or Event	Date
Review Capital Financing Alternatives	July 15, 2025
Review Investment Portfolio	November 5, 2025
Review Police & Fire Stations Financing Plan Strategies	November 18, 2025
Call for a Public Hearing on CIP	January 6, 2026
Hold CIP Public Hearing	January 20, 2026
Authorize Advertise for Bids for the Projects	February/March
Review Financial Management Plan	March 3, 2026
Review Financial Management Plan Update (if needed)	April 7, 2026
Accept Bids & Award Contracts, Call for the Sale of Bonds	May/June
Award Sale of Bonds	June/July
Close, Accept & Invest Bond Proceeds	June/July

Discussion & Recommendations

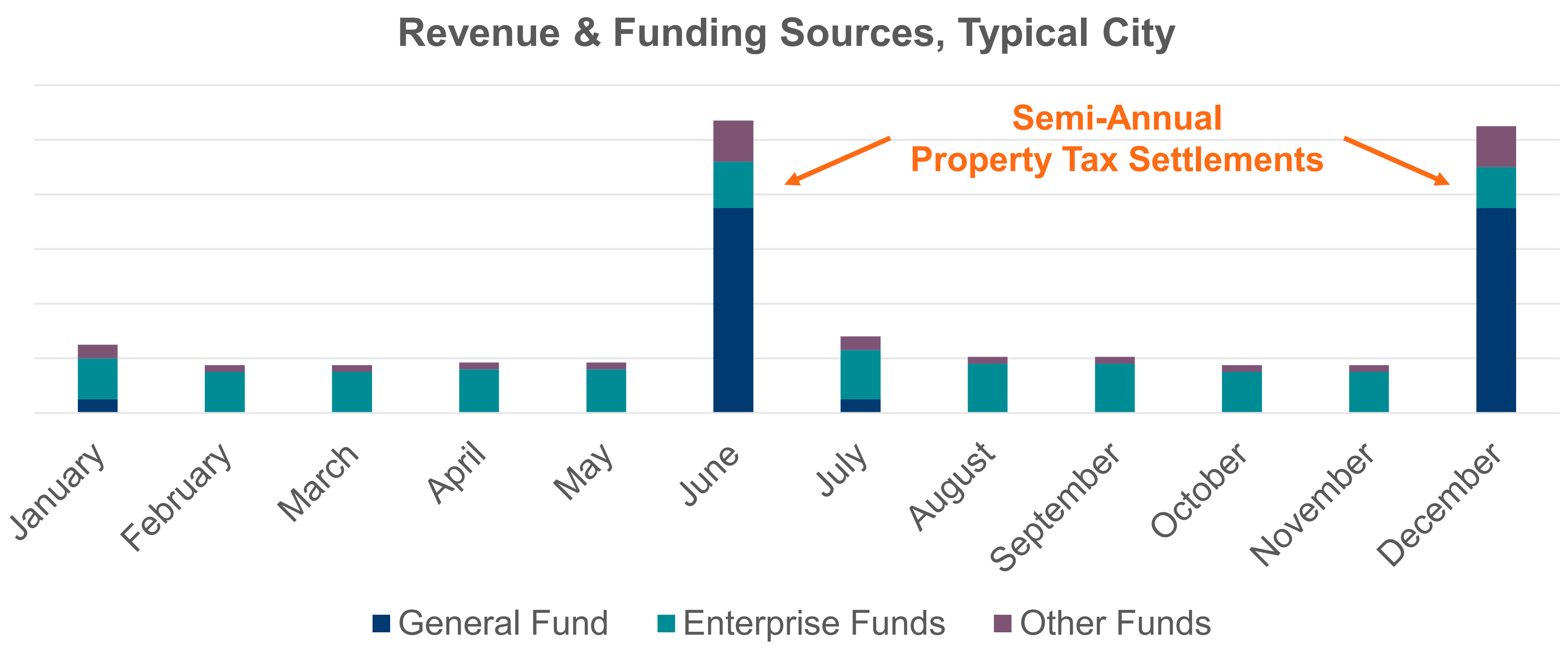
- Does the City Council have a preferred capital financing option?

20 Years		25 Years	
1A Full Debt Service	1B Phased Debt Service	2A Full Debt Service	2B Phased Debt Service

- Ehlers recommends the City issue debt to support the total cost of the projects & use reserves to support other capital outlays

THANK YOU! QUESTIONS?

When Do Local Governments Receive Funding?



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Ascend South

Proposed TIF	$2,829,395
Total Project Cost	$21,970,000
Equity required 30%	$6,591,00
Project COC return	4.3 %

Land Acquisition	$1,563,000
City Parking lot	$100,000
Demolition	$200,000
Excavation	$600,000
Geo Piers	$450,000
Public improvements	$500,000 +