



COUNCIL CONFERENCE MEETING

June 13, 2022

5:30 PM

Fridley City Hall, 7071 University Avenue N.E.

AGENDA

1. On-Street Parking Analysis and Considerations
2. Discussion Regarding Locke Park
3. Discussion of Conduit Financing of Multifamily Housing Project
4. Tax Abatement Bond Discussion - Park System Improvement Plan

The City of Fridley will not discriminate against or harass anyone in the admission or access to, or treatment, or employment in its services, program, or activities because of race, color, creed, religion, national origin, sex, disability, age, marital status, sexual orientation or status with regard to public assistance. Upon request, accommodation will be provided to allow individuals with disabilities to participate in any of Fridley's services, programs, and activities. Hearing impaired persons who need any interpreter or other persons with disabilities who require auxiliary aids should contact Roberta Collins at (763) 572-3500. (TTD/763-572-3534).



AGENDA REPORT

Meeting Date: June 13, 2022

Meeting Type: City Council Conference Meeting

Submitted By: Trent Homard, Administrative Intern
Melissa Moore, City Clerk

Title

On-Street Parking Analysis and Considerations

Background

The City Clerk's Office was asked to provide a presentation of on-street parking in the City of Fridley (City). This discussion will review the City's past ordinances that address on-street parking, share varying perspectives on the issue from Public Safety and Public Works, provide a comparative analysis of other cities, and offer five courses of action to address the issue. Staff will share its findings and presentations and solicit the City Council's feedback and direction on next steps.

Attachments and Other Resources

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.



AGENDA REPORT

Meeting Date: June 13, 2022

Meeting Type: City Council Conference Meeting

Submitted By: Walter T. Wysopal, City Manager

Title

Discussion Regarding Locke Park

Background, Financial Impact and Discussion

The following addresses areas of concern to help shape the City Council discussion about Locke Park. These areas include the history of Locke Park, reviewing previous actions, identifying the characteristics of a partnership, and considering the value of the partnership.

1. History of Locke Park

Pre-1960	The land (approximately 99 acres) owned by the Locke family. Generally open undeveloped. Property goes into probate and Mr. Howard Crabtree represents the owners.
1960	The City expresses interest in its purchase to provide park and recreation opportunities for residents of a very rapidly growing City. City Council appoints a negotiations subcommittee. Unanimous vote.
August 16, 1960,	City declares its intentions to purchase in Resolution 103-1960. Meeting minutes indicate a willingness to spend up to \$150,000. Unanimous vote.
November 7, 1961,	Probate trustee indicates an interest in selling the property to multiple land developers. City responds by passing resolution 187-1961 threatening condemnation and orders property appraisal. Unanimous vote.
August 30, 1962,	City Council purchases Locke estate property for \$178,000.
March 1963	Fridley park Commission invests in plans, improvements to buildings, shelters, and roads to serve the residents' needs.
June 1963	Fridley park Commission officially names property Locke Park, establishes hours and approves sign.

Vision Statement

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- September 8, 1963, Formal dedication of Locke Park.
- 1963 – 1980 City actively programs and maintains Locke Park
- 1970 City constructs bridges over Rice Creek and paves access trails from neighborhoods to Locke Park.
- 1972 The Metropolitan County Inter-County Council publishes a report giving impetus for preserving the natural amenity of Rice Creek. The Anoka-Ramsey County Rice Creek Study Committee is formed as Rice Creek flows within both. From their study both County Boards of Commissioners and the Metropolitan Council designate this area as a potential metropolitan open space site including Locke Park.
- 1978 Metropolitan Council Regional Trail Policy requires for an area to be considered for regional designation as a regional trail it shall connect elements of the Regional Recreational Open space Plan, and or a major river corridor.
- 1979 The Rice Creek West Trail Master Plan is initiated.
- 1980 Master Plan completed with the understanding the City would make available approximately 118 acres of Locke Park to be included in the Master Plan and to be under the management and operation of Anoka County. A Joint Powers Agreement would govern the implementation of the Master Plan.

The Master Plan identifies the Land acquisition for the Anoka County segment of the Regional Trail to be provided as follows:

Entity	Acres	Method of Acquisition
County	27.5*	Metropolitan Council Reimbursed
Private	56.82	Metropolitan Council Reimbursed
State	11.5	Tax Forfeit
Fridley	148.92	Joint Powers Agreement at no cost

* County sold 12.5 acres of Columbia Arena site to private party

- 1980 County and City Negotiate a JPA. Many meetings of the Planning Commission, Park Commission and City Council take place. City concerns over management practices, environmental quality programing, maintenance, and cost of maintaining the trail should the JPA be terminated are raised.
- July 1980 City Council approves the JPA based on the elements of the Master Plan. Metropolitan Council designates The Rice Creek West Trail as "Regional Trail" Met Council Claims in a letter of 8-14-17 that Locke Park, Locke lake Park and Plaza Park as "Associated Park Land to the Rice Creek West Regional Trail because they are identified in the original Study to create the regional trail.

Vision Statement

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July 1985	At County's request the City Contributes \$10,000 for curb and gutter in improved parking lot as the County Standard does not require curbs.
1999	County constructs trail tunnel under HWY 65 using Metropolitan Council funds
2000	County constructs picnic shelter, restroom, security lighting site furnishings with Metropolitan Council funds.
2011	County improves roads and adds dog park with \$850,000 Met Council grant.
2016	City redevelops former County property (Columbia Arena) with housing. Re-aligns road to be over Metropolitan Council sewer interceptor and thus encroaches on Locke Park.
2017	County and Metropolitan Council demand City replace encroachment with same and similar property as a 1:1 replacement. In the discussion the City and County agree to revisit the JPA.
2019	City and County enter into JPA for newly constructed Regional Trail that runs through the townhome development (this property used to be owned by the County). The County is supposed to be responsible for plowing the trail but that has not been the practice.
2019	City and County meet to discuss revising the JPA. County proposes a new JPA that would transfer the land to the County should the City terminate its involvement in the JPA.
2021	City initiates effort so City and County could develop a vision of the future which would serve as the basis for a new Master Plan and JPA.
2021	County initiates the Master Plan amendment process.

2. Review of Previous Actions

The 10 items on the next page represent unfulfilled development features of the 1979 Master Plan the City. Our desire is to have them implemented within specific timeframes.

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Identified in 1979 Master Plan			
No.	Development Feature Language	Status	City Desire
1	Canoe Route 5 ¼ Miles	Unfulfilled	2024
2	Restrooms	Partial	Open year round 2022
3	Trail information Center	Unfulfilled	2023
4	The bike and hiking trails (snowshoe and cross-country ski in winter) will be separated in most areas of the Anoka County segment of the trail.	Unfulfilled	2023
5	...the trail will have a clear zone of 4' on both sides to accommodate cross-country skiing in winter.	Unfulfilled	2023
6	Major road crossings of trails in Fridley...with a catwalk bridge state highway 47...	Unfulfilled	2025
7	The multiple use portions of the trails will be separated by wood posts and shrub screening.	Unfulfilled	2023
8	Other uses of the trail will include birdwatching, nature study...	Unfulfilled	2022
9	Winter maintenance activities will include snow removal from the trail parking lots, and periodic inspection of the restrooms/shelter houses.	Unfulfilled	2022
10	Signs at the trail head locations will have hours for use posted as well as other rules...	Unfulfilled	2022

Other Actions/Issues:

1. Dog park expanded without forewarning.
2. Archery range rebuilt in area near homes without disregarding City input.
3. Decision to not plow all parking lots and trails done without City knowledge.
4. County Capital Improvement process is unreliable:
 - a. Banfill improvements had not been on the County CIP until this year with proposed expenditures of \$525,00 in 2023 and \$335,00 in 2025.
 - b. Islands of Peace will receive \$350,000 in improvements to parking lot and visitors center in 2024 but has never been shared with City even though it is City property managed by the County under a JPA.
 - c. Kordiak County Park will receive bridge replacements in 2024 of \$400,000.
 - d. County claims Rice Creek West Regional trail is most used trail, but it remains inaccessible to handicapped persons.
 - e. Newly constructed Regional Trail segment that runs through the Civic Plaza is supposed to be plowed by the County but is done by the City because of poor quality in the plowing.

Vision Statement

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3. Partnership characteristics

- City’s role in Locke Park needs to reflect its contribution to the Regional Trail.
- Joint vision statement
- Formal plan for the park with City having full consent
- Specific time frames for implementation and responsibilities
- Open book budgeting
- Financial plan
- Fair representation on signs and promotion
- Regular meetings to discuss implementation
- Program authority

The following was developed for use in the discussions with the County to develop a joint vision:

City Vision

We believe Fridley will be a safe, vibrant, friendly, and stable home for families and businesses.

Fridley Park Vision

Fridley’s Park System will increase the wellbeing of our community by providing people of all ages and abilities with opportunities for active living, social connections, wellness, and nature.

Locke Park Vision

Locke Park will achieve the City’s and Park System’s overall vision by providing persons of all abilities and ages the opportunity for enjoyment within a nature-based environment. Specifically, this will be achieved by:

- Actively--Through accessible trails, maintenance of Rice Creek, expanded nature-based programs and gathering places.
- Passively--Through the natural amenities of the forest, trails, creek, and interpretive opportunities.

Focus on Fridley Strategic Alignment

<input checked="" type="checkbox"/> Vibrant Neighborhoods & Places	<input checked="" type="checkbox"/> Community Identity & Relationship Building
<input type="checkbox"/> Financial Stability & Commercial Prosperity	<input checked="" type="checkbox"/> Public Safety & Environmental Stewardship
<input type="checkbox"/> Organizational Excellence	

Vision Statement

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AGENDA REPORT

Meeting Date: June 13, 2022

Meeting Type: City Council Conference Meeting

Submitted By: Scott Hickok, Community Development Director
Joe Starks, Finance Director

Title

Preliminary Approval of Conduit Financing of Multifamily Housing Project and Authorizing the Publication of a Notice of Public Hearing to Consider the Proposal

Background

At the regular Council meeting, City Council will consider a resolution from the City expressing support for Roers Companies as they apply for financing the potential acquisition and rehabilitation of Moon Plaza. Specifically, they have requested the issuance of \$27,000,000 Multifamily Housing Facility Revenue Bonds, as authorized by Minnesota Statute Chapter 462C, for the acquisition and construction of 165 units of rental housing serving those making 60% of the area median income (\$70,900 for a family of four).

Like past projects, the debt would be issued as a private activity or conduit bond. As the same suggests, this type of debt obligation benefits the activities of a private entity. In exchange for the favorable tax treatment typical to municipal bonds, the private entity agrees to: 1) construct a project of appropriate public benefit, and 2) service the debt through revenues generated by the project. Based on this arrangement, private activity bonds do not constitute a debt of the City, which has no financial obligation of any kind with respect to the bonds.

Financial Impact

The bonds do not constitute a debt of the City. Therefore, the recommended action does not create any immediate or long-term financial obligations for the organization. Additionally, Roers Companies is responsible for any costs associated with the issuance process. Finally, according to the City's Conduit Debt Policy, the City may charge an administrative fee of up to 1% of the amount of the bond, or in this case up to \$270,000, however, the City Council may waive the administrative fee if the City Council determines such a waiver is in the best interests of the City.

Discussion

The preliminary approval does not obligate the City to issue the bonds; rather it allows Roers and their partners to begin the application process with the State of Minnesota and other agencies, as necessary.

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Focus on Fridley Strategic Alignment

- | | |
|----------------------------------------------------------------------|--------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Vibrant Neighborhoods & Places | <input checked="" type="checkbox"/> Community Identity & Relationship Building |
| <input type="checkbox"/> Financial Stability & Commercial Prosperity | <input type="checkbox"/> Public Safety & Environmental Stewardship |
| <input type="checkbox"/> Organizational Excellence | |

Attachments and Other Resources

- Regular Council Meeting Agenda Item
- Resolution

Vision Statement

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AGENDA REPORT

Meeting Date: June 13, 2022

Meeting Type: City Council

Submitted By: Joe Starks, Finance Director
Scott Hickok, Community Development Director

Title

Resolution No. 2022-61, Giving Preliminary Approval to the Issuance of Multifamily Housing Facility Revenue Bonds to Finance a Multifamily Housing Project and Authorizing the Publication of a Notice of Public Hearing to Consider the Proposal

Background

The City of Fridley (City) has received a request from Roers Companies to assist them in financing the potential acquisition and rehabilitation of Moon Plaza. Specifically, they have requested the issuance of \$27,000,000 Multifamily Housing Facility Revenue Bonds, as authorized by Minnesota Statute Chapter 462C, for the acquisition and construction of 165 units of rental housing serving those making 60% of the area median income (\$70,900 for a family of four). They have requested a resolution from the City expressing support as they apply for bonding.

Like past projects, the debt would be issued as a private activity or conduit bond. As the same suggests, this type of debt obligation benefits the activities of a private entity. In exchange for the favorable tax treatment typical to municipal bonds, the private entity agrees to: 1) construct a project of appropriate public benefit, and 2) service the debt through revenues generated by the project. Based on this arrangement, private activity bonds do not constitute a debt of the City, which has no financial obligation of any kind with respect to the bonds.

The attached resolution, as prepared by the bond counsel, provides for the preliminary approval of the bond's issuance, includes a draft housing finance program, and calls for a public hearing, as required by State statute. The preliminary approval does not obligate the City to issue the bonds; rather it allows Roers and their partners to begin the application process with the State of Minnesota and other agencies, as necessary.

Financial Impact

As mentioned above, the bonds do not constitute a debt of the City. Therefore, the recommended action does not create any immediate or long-term financial obligations for the organization. Additionally, Roers Companies is responsible for any costs associated with the issuance process. Finally, according to the City's Conduit Debt Policy, the City may charge an administrative fee of up to 1% of the amount of the bond, or in this case up to \$270,000, however, the City Council may waive the administrative fee if the City Council determines such a waiver is in the best interests of the City.

Vision Statement

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Recommendation

Staff recommend approval of Resolution No. 2022-61.

Focus on Fridley Strategic Alignment

- | | |
|----------------------------------------------------------------------|--------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Vibrant Neighborhoods & Places | <input checked="" type="checkbox"/> Community Identity & Relationship Building |
| <input type="checkbox"/> Financial Stability & Commercial Prosperity | <input type="checkbox"/> Public Safety & Environmental Stewardship |
| <input type="checkbox"/> Organizational Excellence | |

Attachments and Other Resources

- Resolution No. 2022-61

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Resolution No. 2022-61**Giving Preliminary Approval to the Issuance of Multifamily Housing Facility Revenue Bonds to Finance a Multifamily Housing Project and Authorizing the Publication of a Notice of Public Hearing to Consider the Proposal**

Whereas, Minnesota Statutes Chapter 462C (Act), confers upon a city the power to issue revenue obligations to finance multifamily housing developments within the boundaries of the city; and

Whereas, the City Council of the City of Fridley, Minnesota (City) has received a proposal from a to-be-formed Minnesota limited liability company expected to be known as Roers Fridley Apartments Owner II LLC (Borrower), that the City assist in financing a Project hereinafter described, through the issuance of revenue bonds or obligations (in one or more series) (the Bonds) to be issued in 2022 or 2023 pursuant to the Act; and

Whereas, the City desires to facilitate the maintenance and development of multifamily rental housing within the community; encourage the development of affordable housing opportunities for residents of the City; encourage the development and maintenance of housing facilities designed for occupancy by low- and moderate-income households; and encourage the development of blighted or underutilized land and structures within the boundaries of the City; and the Project will assist the City in achieving these objectives; and

Whereas, the Project to be financed by the Bonds consists of the acquisition and construction of an approximately 250,000-square-foot rentable apartment community that will consist of an approximately 165-unit multifamily housing development for households of low and moderate income, and functionally related facilities, to be located at approximately 6237 University Avenue N.E. in the City (Project); and

Whereas, the Borrower or a related entity will be the owner and operator of the Project; and

Whereas, no public official of the City has either a direct or indirect financial interest in the Project nor will any public official either directly or indirectly benefit financially from the Project; and

Whereas, before proceeding with final consideration of the request of the Borrower it is necessary for the City to hold a public hearing on the housing finance program and proposal pursuant to the Act:

Therefore, be it resolved, that the City Council of the City of Fridley as follows:

1. A public hearing on the housing finance program and proposal of the Borrower will be held at the time and place as determined by the City Manager and as set forth in a Notice of Public Hearing substantially in the form attached hereto as Exhibit A.

2. The general nature of the proposal and an estimate of the principal amount of Bonds to be issued to finance the proposal are described in the attached form of Notice of Public Hearing.
3. A draft copy of the housing finance program with proposed forms of all attachments and exhibits shall be on file in the office of the City Manager on the date the Notice of Public Hearing is published.
4. The City Manager is hereby authorized and directed to cause notice of the hearing to be given one publication in the official newspaper of the City and a newspaper of general circulation available in the City, not less than 15 days nor more than 30 days prior to the date fixed for the hearing, substantially in the form of the attached Notice of Public Hearing with such changes as required or approved by Taft Stettinius & Hollister LLP, acting as bond counsel.
5. The City hereby gives preliminary approval to the proposal of the Borrower that the Borrower undertake the Project, and the City undertake the program of financing therefor, pursuant to the Act, consisting of financing the Project pursuant to the Borrower's specifications and to a loan agreement between the City and the Borrower on such terms and conditions with provisions for revision from time to time as necessary, so as to produce income and revenues sufficient to pay, when due, the principal and interest on the Bonds in a total principal amount not to exceed \$27,000,000 pursuant to the Act to finance the Project; and said agreement may also provide for the entire interest of the Borrower therein to be mortgaged to the purchasers of the Bonds, or a trustee for the purchasers and subsequent holder(s) of the Bonds; and the City, acting by and through the City, hereby undertakes preliminarily to issue the Bonds in accordance with such terms and conditions.
6. At the option of the City, the financing may be structured so as to take advantage of whatever means are available and are permitted by law to enhance the security for, or marketability of, the Bonds; provided that any such financing structure must be consented to by the Borrower.
7. On the basis of information available to the City it appears, and the City hereby finds, that the Project constitutes a multifamily housing development within the meaning of M.S. § 462C.02, subd. 5, of the Act; that the availability of the financing under the Act and the willingness of the City to furnish such financing will be a substantial inducement to the Borrower to undertake the Project, and that the effect of the Project, if undertaken, will be to encourage the construction and maintenance of new and existing multifamily rental housing opportunities for residents of the City, and to promote more intensive development and use of land within the City.

8. The Project and the program to finance the Project by the issuance of revenue obligations, are hereby given preliminary approval by the City subject to holding a public hearing thereon and final approval by the City, the Borrower, and the purchasers of the Bonds as to ultimate details of the financing of the Project.
9. Taft Stettinius & Hollister LLP, acting as bond counsel, is hereby directed to prepare a housing program for financing the Project in accordance with the provisions of M.S. § 462C.03.
10. The Borrower has agreed and it is hereby determined that any and all costs incurred by the City in connection with the financing of the Project whether or not the Project is carried to completion will be paid by the Borrower.
11. Taft Stettinius & Hollister LLP, acting as bond counsel, is authorized to assist in the preparation and review of necessary documents relating to the Project, to consult with Borrower and the purchasers of the Bonds as to the maturities, interest rates and other terms and provisions of the Bonds and as to the covenants and other provisions of the necessary documents and submit such documents to the City for final approval.
12. Nothing in this Resolution or the documents prepared pursuant hereto shall authorize the expenditure of any municipal funds on the Project other than the revenues derived from the Project or otherwise granted to the City for this purpose. The Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property or funds of the City except the revenue and proceeds pledged to the payment thereof, nor shall the City be subject to any liability thereon. The holders of the Bonds shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal on the Bonds or the interest thereon, or to enforce payment thereon against any property of the City, except such property as may be expressly pledged for the security of the Bonds. The Bonds shall recite in substance that the Bonds, including the interest thereon, are payable solely from the revenue and proceeds pledged to the payment thereof. The Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.
13. Subject to final approval of the Project by the City and in anticipation of the approval by all necessary entities of the housing program and the issuance of the Bonds to finance all or a portion of the Project, and in order that completion of the Project will not be unduly delayed when approved, the Borrower is hereby authorized to make such expenditures and advances toward payment of that portion of the costs of the Project to be financed from the proceeds of the Bonds, as the Borrower considers necessary, including the use of interim, short term financing, subject to reimbursement from the proceeds of the Bonds, if any, when delivered but otherwise without liability on the part of the City

Passed and adopted by the City Council of the City of Fridley this 13th day of June, 2022.

Scott J. Lund – Mayor

Attest:

Melissa Moore – City Clerk

Exhibit A

Notice of Public Hearing on a Proposal for a Housing Finance Program and the Issuance of Multifamily Housing Revenue Bonds to Finance a Multifamily Housing Development

Notice is hereby given that the City Council of the City of Fridley, Minnesota (City), will hold a public hearing in the City Council Chambers of City Hall, 7071 University Avenue NE, in the City of Fridley, at 7:00 p.m. on Monday, _____, 2022, to consider a housing finance program of the City and the proposal of a to-be-formed Minnesota limited liability company expected to be known as Roers Fridley Apartments Owner II LLC (the "Borrower"), that the project described below be assisted by the issuance of multifamily housing revenue bonds under Minnesota Statutes, Chapter 462C (the "Bonds").

The "Project" consists of the acquisition and construction of an approximately 250,000-square-foot rentable apartment community that will consist of an approximately 165-unit multifamily housing development for households of low and moderate income, and functionally related facilities, to be located at approximately 6237 University Avenue NE in the City. The Project will be owned and operated by the Borrower or a related entity. The Project is currently anticipated to consist of approximately the following units:

<u>Units</u>	<u>Square Footage</u>	<u>Estimated Initial Rents</u>
40 – 1-bedroom/1 bath	725	\$1,022
70 – 2-bedroom/2 bath	950	\$1,225
55 – 3-bedroom/2 bath	1,250	\$1,412

The maximum aggregate estimated principal amount of the Bonds or other obligations to be issued in one or more series to finance the Project pursuant to the housing finance program will not exceed \$27,000,000.

Subsequent to approval of a housing finance program, the City may issue the Bonds or other revenue obligations to finance the housing finance program. The Bonds or other obligations, as and when issued, will not constitute a charge, lien, or encumbrance upon any property of the City except the Project and the revenues to be derived from the Project. Such Bonds or obligations will not be a charge against the City's general credit or taxing powers but are payable from sums to be paid by the Borrower pursuant to a revenue agreement.

Further information concerning the housing finance program and the Project may be obtained from the City Hall during normal business hours.

At the time and place fixed for the public hearing, the City Council of the City will give all persons who appear at the hearing an opportunity to express their views with respect to the housing finance program and proposal. Written comments will be considered if submitted at the above City office on or before the date of the hearing.



AGENDA REPORT

Meeting Date: June 13, 2022

Meeting Type: City Council Conference Meeting

Submitted By: Joe Starks, Finance Director

Title

2022A GO Tax Abatement Bond Issuance Discussion – Park System Improvement Plan

Background

At the regular Council Meeting, City Council will consider the sale and issuance of General Obligation Tax Abatement Bonds as a piece of funding the Park System Improvement Plan.

Financial Impact

The issuance of \$20,730,000 in General Obligation Tax Abatement Bonds would provide \$20,000,000 in bond proceeds to be used for financing a portion of the Park System Improvement Plan. The bonds would be repaid over 15 years with annual debt service payments being levied for.

Discussion

Bids will be received Monday, June 13th, and the results will be discussed. As part of the process for issuing the bonds, the City undertook a credit review process by Moody's. As a result, Moody's affirmed the City's current rating of Aa2 and noted the City's robust financial position and growing tax base favorably located within the Twin Cities metropolitan area. The rating action and credit opinion is attached.

Focus on Fridley Strategic Alignment

<input checked="" type="checkbox"/> Vibrant Neighborhoods & Places	<input type="checkbox"/> Community Identity & Relationship Building
<input checked="" type="checkbox"/> Financial Stability & Commercial Prosperity	<input type="checkbox"/> Public Safety & Environmental Stewardship
<input type="checkbox"/> Organizational Excellence	

Attachments and Other Resources

- Regular Council Meeting Agenda Item
- Resolution
- Rating Action

Vision Statement

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MOODY'S

INVESTORS SERVICE

Rating Action: **Moody's assigns Aa2 to Fridley, MN's GO bonds**

09 Jun 2022

New York, June 09, 2022 -- Moody's Investors Service has assigned a Aa2 rating to the City of Fridley, MN's \$20.7 million General Obligation Tax Abatement Bonds, Series 2022A. Moody's maintains the Aa2 rating on the city's outstanding general obligation unlimited tax (GOULT) debt. Following the sale, the city will have \$79.7 million of GOULT debt outstanding.

RATINGS RATIONALE

The Aa2 rating reflects the city's very strong financial position and growing tax base favorably located within in the Minneapolis (Aa1 stable)-St. Paul (Aa1 stable) metropolitan area. These strengths are balanced against elevated leverage and below-average resident income.

RATING OUTLOOK

Outlooks are not typically assigned to local government credits with this amount of debt.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Moderation of total leverage and fixed costs
- Material tax base growth coupled with strengthened resident income

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Significant, sustained narrowing of reserves
- Materially increased leverage or fixed costs

LEGAL SECURITY

Outstanding GOULT bonds, including the current issuance, are backed by the city's full faith and credit pledge and the authority to levy a dedicated property tax unlimited as to rate and amount. The GOULT bonds are additionally secured by statute.

USE OF PROCEEDS

Proceeds will finance park system projects outlined in the city's park system improvement plan.

PROFILE

Fridley is located just north of Minneapolis in Anoka County (Aa1). It provides a range of services, including public safety, public works, community services, and municipal utilities, to roughly 28,000 residents.

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2021 and available at <https://ratings.moody.com/api/rmc-documents/70015>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating

Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the issuer/deal page for the respective issuer on <https://ratings.moodys.com>.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1288235.

Please see <https://ratings.moodys.com> for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on <https://ratings.moodys.com> for additional regulatory disclosures for each credit rating.

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MOODY'S
INVESTORS SERVICE

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CREDIT OPINION

9 June 2022



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Fridley (City of) MN

Update to credit analysis

Summary

[Fridley](#) (Aa2) is an inner ring suburb of the Twin Cities ([Minneapolis](#), Aa1 stable; [St. Paul](#), Aa1 stable). It benefits from a robust financial position and a growing tax base. These strengths are balanced against elevated leverage and below-average resident income.

Credit strengths

- » Strong financial position
- » Growing tax base favorably located within the Twin Cities metropolitan area

Credit challenges

- » Elevated leverage
- » Below average resident income

Rating outlook

Outlooks are not typically assigned to local government credits with this amount of debt.

Factors that could lead to an upgrade

- » Moderation of total leverage and fixed costs
- » Material tax base growth coupled with strengthened resident income

Factors that could lead to a downgrade

- » Significant, sustained narrowing of reserves
- » Materially increased leverage or fixed costs

Key indicators

Exhibit 1

Fridley (City of) MN

	2017	2018	2019	2020	2021
Economy/Tax Base					
Total Full Value (\$000)	\$2,416,339	\$2,557,663	\$2,856,603	\$3,225,704	\$3,527,070
Population	27,573	27,614	27,668	27,789	27,789
Full Value Per Capita	\$87,634	\$92,622	\$103,246	\$116,078	\$126,923
Median Family Income (% of US Median)	96.2%	95.0%	93.3%	92.0%	92.0%
Finances					
Operating Revenue (\$000)	\$18,962	\$20,585	\$21,087	\$24,810	\$23,625
Fund Balance (\$000)	\$16,909	\$13,783	\$12,826	\$13,604	\$14,135
Cash Balance (\$000)	\$15,767	\$14,028	\$23,266	\$17,425	\$14,665
Fund Balance as a % of Revenues	89.2%	67.0%	60.8%	54.8%	59.8%
Cash Balance as a % of Revenues	83.1%	68.1%	110.3%	70.2%	62.1%
Debt/Pensions					
Net Direct Debt (\$000)	\$58,555	\$56,250	\$63,320	\$60,135	\$58,065
3-Year Average of Moody's ANPL (\$000)	\$46,887	\$47,899	\$46,422	\$52,926	\$57,277
Net Direct Debt / Full Value (%)	2.4%	2.2%	2.2%	1.9%	1.6%
Net Direct Debt / Operating Revenues (x)	3.1x	2.7x	3.0x	2.4x	2.5x
Moody's - ANPL (3-yr average) to Full Value (%)	1.9%	1.9%	1.6%	1.6%	1.6%
Moody's - ANPL (3-yr average) to Revenues (x)	2.5x	2.3x	2.2x	2.1x	2.4x

Sources: US Census Bureau, the city's audited financial statements and Moody's Investors Service

Profile

Fridley is located just north of Minneapolis in [Anoka County](#) (Aa1). It provides a range of services, including public safety, public works, community services, and municipal utilities, to roughly 28,000 residents.

Detailed credit considerations

Economy and tax base: inner ring Minneapolis suburb

Fridley's economy and tax base are supported by its role as a logistics hub, and its proximity to the Minneapolis-St. Paul metropolitan area will foster further valuation growth. The \$3.5 billion tax base is a mix of residential (53% of net tax capacity) and commercial/industrial (45%) property, and has averaged strong 9.8% annual growth over the past five years. The city's tax base is mature, with little land available for additional expansion, and recent growth is predominantly the result of considerable redevelopment. Construction is currently underway on a 261-unit multi-family housing project and management reports that the developer plans to construct a 10,000 square foot commercial building next to the completed complex. Industrial development has largely centered around Northern Stacks, a 122-acre industrial campus in the southwestern portion of the city.

In addition to employment opportunities within the Twin Cities, residents benefit from an established local economy. The city is home to the corporate headquarters of [Medtronic, Inc.](#) (A3 stable), which serves as both the largest employer (3,366 employees) and taxpayer (4.5% of net tax capacity). Other top employers include [Target](#) (A2 positive, 1,301 employees), which operates a distribution center within Fridley, and Unity Hospital and Clinics (1,215 employees). There is modest taxpayer concentration, with the top ten taxpayers accounting for just under 18% of net tax capacity. Median family income is below average at 92% of the nation. As of April 2022, the city's unemployment rate was a low 1.8%, slightly higher than the state (1.6%) but well below the nation (3.3%).

Financial operations and reserves: robust operating reserves

The city's solid financial position is a credit strength. Fridley closed fiscal 2021 (year-end December 31) with an available operating fund (general and debt service funds) balance of \$14 million, or a strong 60% of operating revenue. The fiscal 2022 budget is balanced with no major variances reported. Property taxes are the city's largest revenue source (70% of operating revenue), followed by charges

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for services (10%) and intergovernmental revenue (9%). Fridley was allocated about \$3 million in American Rescue Plan Act (ARPA) funding, which it plans to use for utility infrastructure projects.

The city has an established fund balance policy to maintain unassigned general fund reserves between 35% to 50% of expenditures and transfer any excess funds to the community investment fund, which held \$9.3 million in cash at the close of fiscal 2021. In fiscal 2021, the general fund transferred \$4.3 million to the community investment fund. Though these funds are committed to capital needs, they would be available for operating purposes upon a council resolution.

Liquidity

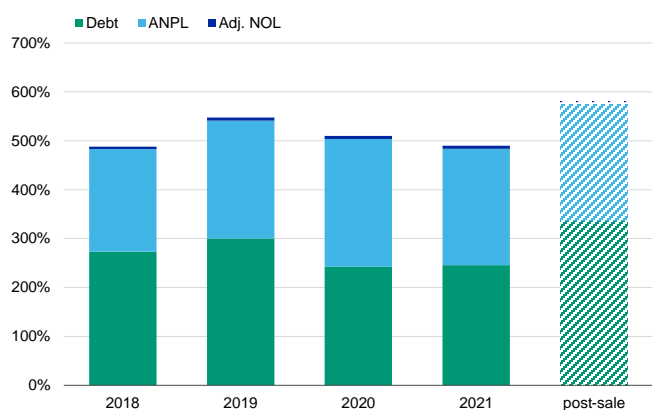
The city closed fiscal 2021 with a net cash position of \$14.7 million, or a strong 62% of operating revenue.

Debt, pensions and OPEB: elevated leverage and fixed costs

The city's leverage and fixed costs are elevated but will remain manageable as there are no plans for additional debt. Fridley is in the process of issuing \$21 million in general obligation unlimited tax (GOULT) bonds for park improvement projects, which will bring its debt burden to 2.2% of full value and 3.2x operating revenue. When incorporating the city's pension and other post-employment benefit (OPEB) liabilities, total leverage is a high 581% of operating revenue (see Exhibit 2). Fixed costs, inclusive of debt service and retirement contributions, were an elevated 24% of revenue and consist primarily of debt service (see Exhibit 3).

Exhibit 2

High total leverage

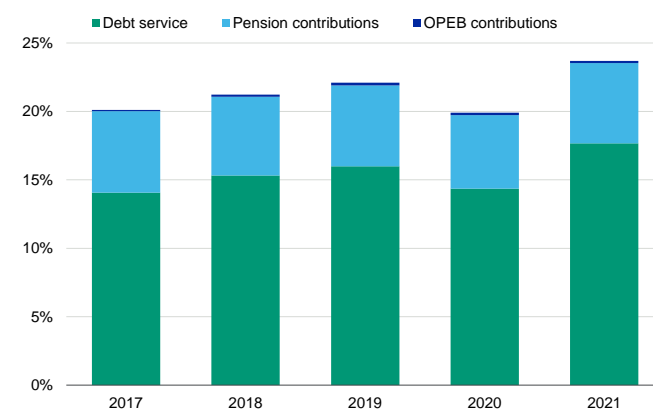


Sources: the city's audited financial statements and Moody's Investors Service

Exhibit 3

Elevated fixed costs driven by debt service

Fixed costs as % of revenue



Sources: the city's audited financial statements and Moody's Investors Service

Legal security

Outstanding GOULT bonds are backed by the city's full faith and credit pledge and the authority to levy a dedicated property tax unlimited as to rate and amount. The GOULT bonds are additionally secured by statute.

Debt structure

All of the city's debt is fixed rate. Principal amortization is below average with 46% retired within 10 years. Final maturity on all debt occurs in 2042.

Debt-related derivatives

The city has no exposure to any debt-related derivatives.

Pensions and OPEB

The city participates in two multiple-employer cost-sharing plans, the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF). Minnesota statutes establish local government retirement contributions as a share of annual payroll. The state of Minnesota approved legislation in 2018 that modified benefits and modestly increased contributions for some pension plans. Employer contributions from cities to the police and fire plan, for example, increased to 17.7% in 2020 from the previous

rate of 17%. The total employer contributions from all participating governments to both PEPFF and GERF, in aggregate, met or exceeded 100% of each plan's "tread water" indicator in fiscal 2021.

The city's three-year adjusted net pension liability (ANPL) is \$57 million, equivalent to 2.4x operating revenue or 1.6% of full value. Moody's ANPL reflects the use of a market-based discount rate to value pension liabilities rather than the assumed rate of investment return on plan assets. In comparison, the reported net pension liability (NPL), based on the plans' 6.5% discount rate, was \$7.2 million in fiscal 2021. The city's ANPL is much higher than reported pension liabilities because the market interest rates that we use to value pension liabilities are far lower than reported discount rates (see Exhibit 4).

Exhibit 4

Adjusted pension liabilities notably higher than reported pension liabilities because of Moody's adjustments

\$ thousands	2019	2020	2021
Net pension liability, reported basis	\$9,496	\$11,001	\$7,221
Discount rate	7.50%	7.50%	6.50%
Net OPEB liability, reported basis	\$1,403	\$1,598	\$1,509
Adj. net pension liability	\$50,782	\$64,835	\$56,216
Discount rate	3.51%	2.70%	2.84%
Adj. net OPEB liability	\$1,334	\$1,537	\$1,416

Sources: the city's audited financial statements and Moody's Investors Service

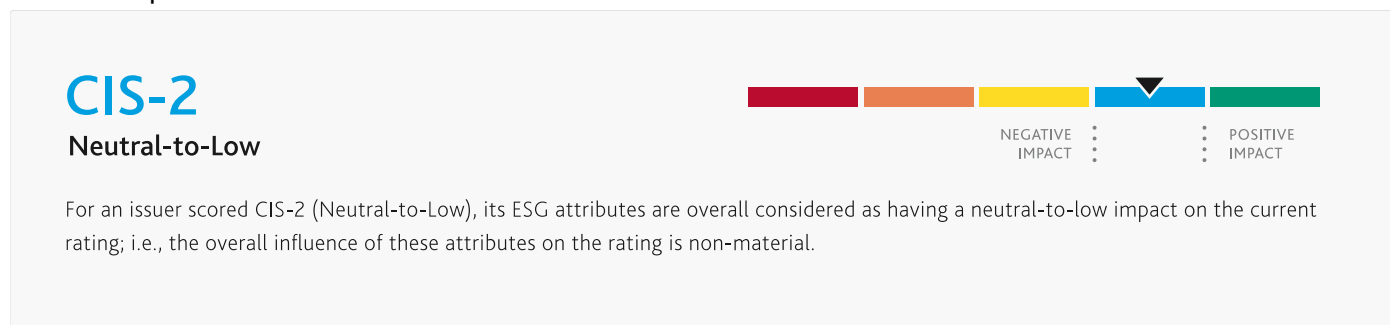
OPEB obligations do not pose a material cost. The OPEB liability reflects an implicit rate subsidy for retirees who pay to remain on the city's health care plan until age 65. These liabilities are funded on a pay-as-you-go basis, with contributions of \$39,000 in fiscal 2021. The city's net OPEB liability at the close of fiscal 2021 was \$1.5 million. Moody's adjusted net OPEB liability, which is similar to our adjustments to pension liabilities, is \$1.4 million, equivalent to less than 0.1x operating revenue.

ESG considerations

FRIDLEY (CITY OF) MN's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 5

ESG Credit Impact Score

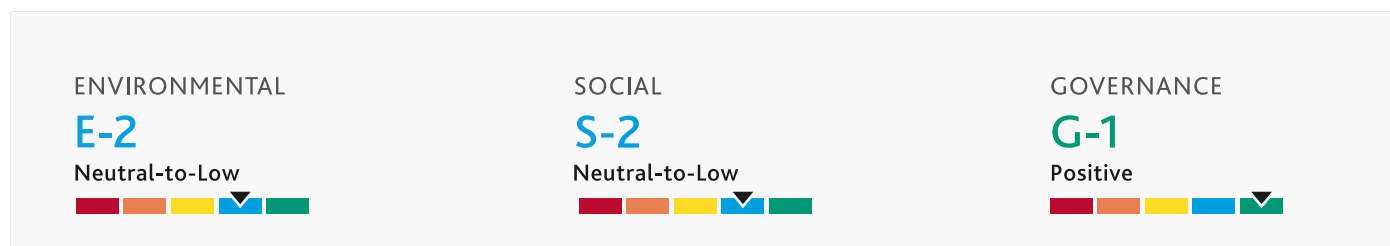


Source: Moody's Investors Service

Fridley's ESG Credit Impact Score is neutral-to-low (**CIS-2**), reflecting a strong governance profile and neutral to low exposure to environmental and social risks.

Exhibit 6

ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

Fridley's overall E issuer profile score is neutral-to-low (**E-2**), reflecting relatively low exposure to environmental risks across all categories, including physical climate risk, carbon transition, natural resources management, waste and pollution.

Social

The S issuer profile score is neutral-to-low (**S-2**). Labor force participation is strong though educational attainment metrics lag the nation slightly, partially due to the city's above-average dependence on manufacturing and logistics jobs. Residents have easy access to basic services and 93% of the city's population has health insurance compared to the national rate of 91%. Health and safety metrics are slightly weaker than the nation.

Governance

Fridley's G issuer profile score is positive (**G-1**), reflecting strong institutional structure and an established history of prudent budget management. City management utilizes a conservative budgetary approach and multi-year capital planning to maintain operating reserves in compliance with its formal fund balance policy. Fridley's revenue-raising flexibility is moderate as cities generally benefit from unlimited levying authority, except during years in which the state has imposed limits. Levy limits are not currently in place for cities.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. To view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The [US Local Government General Obligation Debt](#) methodology includes a scorecard, a tool providing a composite score of a local government's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare local government credits.

Exhibit 7

Fridley (City of) MN

Rating Factors	Measure	Score
Economy/Tax Base (30%)^[1]		
Tax Base Size: Full Value (in 000s)	\$3,527,070	Aa
Full Value Per Capita	\$126,923	Aa
Median Family Income (% of US Median)	92.0%	Aa
Finances (30%)		
Fund Balance as a % of Revenues	59.8%	Aaa
5-Year Dollar Change in Fund Balance as % of Revenues	-8.3%	Baa
Cash Balance as a % of Revenues	62.1%	Aaa
5-Year Dollar Change in Cash Balance as % of Revenues	-0.9%	Baa
Management (20%)		
Institutional Framework	Aa	Aa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	0.9x	B & Below
Notching Factors:^[2]		
Other Analyst Adjustment to Management Factor (specify): overly punitive operating history		Up
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	2.2%	A
Net Direct Debt / Operating Revenues (x)	3.2x	Baa
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	1.6%	A
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	2.4x	A
Standardized Adjustments: ^[3] Unusually Strong or Weak Security Features		Up
	Scorecard-Indicated Outcome	Aa3
	Assigned Rating	Aa2

[1] Economy measures are based on data from the most recent year available.

[2] Notching Factors are specifically defined in the [US Local Government General Obligation Debt](#) methodology.

[3] Standardized adjustments are outlined in the [GO Methodology Scorecard Inputs](#) publication.

Sources: US Census Bureau, the city's financial statements and Moody's Investors Service

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Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454



AGENDA REPORT

Meeting Date: June 13, 2022

Meeting Type: City Council

Submitted By: Joe Starks, Finance Director

Title

Resolution No. 2022-65, Providing for the Issuance and Sale of \$20,730,000 General Obligation Tax Abatement Bonds, Series 2022A

Background

Attached is the resolution provided by the City's bond counsel, Taft. The resolution is for the sale of \$20,730,000 in General Obligation Tax Abatement Bonds, Series 2022A. The public hearing for the consideration of tax abatement was held on May 23rd. The issuance will finance a portion of the Park System Improvement Plan (\$20,000,000), with the remaining amount (\$10,000,000) coming from internal City funds, as was recommended by the Plan's Finance Advisory Committee.

As part of the process for issuing these bonds, the City has undergone a credit review process conducted by Moody's, who is the City's bond rating agency. Staff participated in this review with Moody's on May 26th. The outcome of the review by Moody's was completed on June 9th and a copy of that report will be provided at both the Conference Meeting and this evening's Council meeting.

Since the bids for sale of the bonds are not due until June 13, the information from the bidders will not be available until the evening of the Council meeting. The final size of the bonds may change slightly based on the bids received. A representative from Ehlers will be in attendance to present the results of the bidding process to answer any questions related to the sale. Staff will distribute hard copies of the revised Resolution No. 2022-65, the Moody's Credit Rating Report, and Bid Information.

Financial Impact

The issuance of \$20,730,000 in General Obligation Tax Abatement Bonds would provide \$20,000,000 in bond proceeds to be used for financing a portion of the Park System Improvement Plan. The bonds would be repaid over 15 years with annual debt service payments being levied for.

Recommendation

Staff recommend a motion to accept into the record, the revised Resolution No. 2022-65, the Moody's Credit Rating, and the Bid Information.

Upon consideration by the Council, staff recommend the approval of Resolution No. 2022-65.

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Focus on Fridley Strategic Alignment

- | | |
|---------------------------------------------------------------------------------|---------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Vibrant Neighborhoods & Places | <input type="checkbox"/> Community Identity & Relationship Building |
| <input checked="" type="checkbox"/> Financial Stability & Commercial Prosperity | <input type="checkbox"/> Public Safety & Environmental Stewardship |
| <input type="checkbox"/> Organizational Excellence | |

Attachments and Other Resources

- Resolution No. 2022-65

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Resolution No. 2022-65

Accepting Offer on the Sale of \$20,730,000 General Obligation Tax Abatement Bonds, Series 2022A, Providing for their Issuance and Pledging Tax Abatements and Levying a Tax for the Security and Payment Thereof

Whereas, the City Council of the City of Fridley, Minnesota (City), has heretofore determined and declared that it is necessary and expedient to issue \$20,730,000 aggregate principal amount General Obligation Tax Abatement Bonds, Series 2022A (Bonds or Bond), pursuant to Minnesota Statutes (M.S.), Chapter 475 and Sections 469.1812 through 469.1815, particularly Section 469.1814, to finance the Park System Improvement Plan improvements located in the City (Project); and

Whereas, the City has heretofore established a tax abatement program (Program), pursuant to the provisions of M.S., §§ 469.1812 through 469.1815, with respect to providing for the abatement of property taxes for a period of 15 years on various properties in the City, as described in the Resolution adopted by the City Council on May 23, 2022, approving the Program (Abatement Resolution); and

Whereas, the amount of the property taxes abated are estimated to be at least equal to the principal of the Bonds and pursuant to the provisions of the Abatement Resolution, Bond proceeds are to be expended to provide money to pay for costs of the Project; and

Whereas, the City has retained Ehlers & Associates, Inc., in Roseville, Minnesota (Ehlers), as its independent municipal advisor for the sale of the Bonds and was therefore authorized to sell the Bonds by private negotiation in accordance with M.S. § 475.60, subd. 2(9) and proposals to purchase the Bonds have been solicited by Ehlers; and

Whereas, the offers set forth on Exhibit A attached hereto were received by the City Manager, or designee, at the offices of Ehlers at 10:30 a.m., on the date hereof, pursuant to the Preliminary Official Statement, dated June 2, 2022, established for the Bonds; and

Whereas, it is in the best interests of the City that the Bonds be issued in book-entry form as hereinafter provided; and

Now therefore be it resolved by the Council of the City of Fridley, Minnesota, as follows:

1. Acceptance of Proposal. The proposal of _____, _____, _____ (the "Purchaser"), to purchase the Bonds, in accordance with the Preliminary Official Statement established for the Bonds, at the rates of interest hereinafter set forth, and to pay therefor the sum of \$_____, plus interest accrued to settlement, is hereby found, determined and declared to be the most favorable proposal received, is hereby accepted and the Bonds are hereby awarded to the Purchaser. The Finance Director is directed to retain the deposit of the Purchaser.

2. Bond Terms

(a) Original Issue Date; Denominations; Maturities; Term Bond Option. The Bonds shall be dated July 7, 2022, as the date of original issue and shall be issued forthwith on or after such date in fully registered form, shall be numbered from R-1 upward in the denomination of \$5,000 each or in any integral multiple thereof of a single maturity (Authorized Denominations) and shall mature on February 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2024	\$	2032	\$
2025		2033	
2026		2034	
2027		2035	
2028		2036	
2029		2037	
2030		2038	
2031			

As may be requested by the Purchaser, one or more term Bonds may be issued having mandatory sinking fund redemption and final maturity amounts conforming to the foregoing principal repayment schedule, and corresponding additions may be made to the provisions of the applicable Bond(s).

(b) Book Entry Only System. The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York or any of its successors or its successors to its functions hereunder (Depository), will act as securities depository for the Bonds, and to this end:

(i) The Bonds shall be initially issued and, so long as they remain in book entry form only (the "Book Entry Only Period"), shall at all times be in the form of a separate single fully registered Bond for each maturity of the Bonds; and for purposes of complying with this requirement under paragraphs 5 and 10 Authorized Denominations for any Bond shall be deemed to be limited during the Book Entry Only Period to the outstanding principal amount of that Bond.

(ii) Upon initial issuance, ownership of the Bonds shall be registered in a bond register maintained by the Bond Registrar (as hereinafter defined) in the name of CEDE & CO., as the nominee (it or any nominee of the existing or a successor Depository, the "Nominee").

(iii) With respect to the Bonds neither the City nor the Bond Registrar shall have any responsibility or obligation to any broker, dealer, bank, or any other financial institution for which the Depository holds Bonds as securities depository (Participant) or the

person for which a Participant holds an interest in the Bonds shown on the books and records of the Participant (Beneficial Owner). Without limiting the immediately preceding sentence, neither the City, nor the Bond Registrar, shall have any such responsibility or obligation with respect to (A) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any ownership interest in the Bonds, or (B) the delivery to any Participant, any Owner or any other person, other than the Depository, of any notice with respect to the Bonds, including any notice of redemption, or (C) the payment to any Participant, any Beneficial Owner or any other person, other than the Depository, of any amount with respect to the principal of or premium, if any, or interest on the Bonds, or (D) the consent given or other action taken by the Depository as the Registered Holder of any Bonds (the "Holder"). For purposes of securing the vote or consent of any Holder under this Resolution, the City may, however, rely upon an omnibus proxy under which the Depository assigns its consenting or voting rights to certain Participants to whose accounts the Bonds are credited on the record date identified in a listing attached to the omnibus proxy.

(iv) The City and the Bond Registrar may treat as and deem the Depository to be the absolute owner of the Bonds for the purpose of payment of the principal of and premium, if any, and interest on the Bonds, for the purpose of giving notices of redemption and other matters with respect to the Bonds, for the purpose of obtaining any consent or other action to be taken by Holders for the purpose of registering transfers with respect to such Bonds, and for all purpose whatsoever. The Bond Registrar, as paying agent hereunder, shall pay all principal of and premium, if any, and interest on the Bonds only to the Holder or the Holders of the Bonds as shown on the bond register, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid.

(v) Upon delivery by the Depository to the Bond Registrar of written notice to the effect that the Depository has determined to substitute a new Nominee in place of the existing Nominee, and subject to the transfer provisions in paragraph 10, references to the Nominee hereunder shall refer to such new Nominee.

(vi) So long as any Bond is registered in the name of a Nominee, all payments with respect to the principal of and premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, by the Bond Registrar or City, as the case may be, to the Depository as provided in the Letter of Representations to the Depository required by the Depository as a condition to its acting as book-entry Depository for the Bonds (said Letter of Representations, together with any replacement thereof or amendment or substitute thereto, including any standard procedures or policies referenced therein or applicable thereto respecting the procedures and other matters relating to the Depository's role as book-entry Depository for the Bonds, collectively hereinafter referred to as the "Letter of Representations").

- (vii) All transfers of beneficial ownership interests in each Bond issued in book-entry form shall be limited in principal amount to Authorized Denominations and shall be effected by procedures by the Depository with the Participants for recording and transferring the ownership of beneficial interests in such Bonds.
- (viii) In connection with any notice or other communication to be provided to the Holders pursuant to this Resolution by the City or Bond Registrar with respect to any consent or other action to be taken by Holders, the Depository shall consider the date of receipt of notice requesting such consent or other action as the record date for such consent or other action; provided, that the City or the Bond Registrar may establish a special record date for such consent or other action. The City or the Bond Registrar shall, to the extent possible, give the Depository notice of such special record date not less than fifteen calendar days in advance of such special record date to the extent possible.
- (ix) Any successor Bond Registrar in its written acceptance of its duties under this Resolution and any paying agency/bond registrar agreement, shall agree to take any actions necessary from time to time to comply with the requirements of the Letter of Representations.
- (x) In the case of a partial prepayment of a Bond, the Holder may, in lieu of surrendering the Bonds for a Bond of a lesser denomination as provided in paragraph 5, make a notation of the reduction in principal amount on the panel provided on the Bond stating the amount so redeemed.
- (c) Termination of Book-Entry Only System. Discontinuance of a particular Depository's services and termination of the book-entry only system may be effected as follows:
- (i) The Depository may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the City and discharging its responsibilities with respect thereto under applicable law. The City may terminate the services of the Depository with respect to the Bond if it determines that the Depository is no longer able to carry out its functions as securities depository or the continuation of the system of book-entry transfers through the Depository is not in the best interests of the City or the Beneficial Owners.
- (ii) Upon termination of the services of the Depository as provided in the preceding paragraph, and if no substitute securities depository is willing to undertake the functions of the Depository hereunder can be found which, in the opinion of the City, is willing and able to assume such functions upon reasonable or customary terms, or if the City determines that it is in the best interests of the City or the Beneficial Owners of the Bond that the Beneficial Owners be able to obtain certificates for the Bonds, the Bonds shall no longer be registered as being registered in the bond register in the name of the Nominee, but may be registered in whatever name or names the Holder

of the Bonds shall designate at that time, in accordance with paragraph 10. To the extent that the Beneficial Owners are designated as the transferee by the Holders, in accordance with paragraph 10, the Bonds will be delivered to the Beneficial Owners.

(iii) Nothing in this subparagraph (c) shall limit or restrict the provisions of paragraph 10.

(d) Letter of Representations. The provisions in the Letter of Representations are incorporated herein by reference and made a part of the resolution, and if and to the extent any such provisions are inconsistent with the other provisions of this resolution, the provisions in the Letter of Representations shall control.

3. Purpose. The Bonds shall provide funds to finance the Project. Pursuant to the Abatement Resolution, the City's share of real estate taxes generated as a result of the Project and the Program (Tax Abatements) have been pledged to the payment of principal on the Bonds. The principal amount of the Bonds does not exceed the estimated amount of Tax Abatements of \$20,730,000. The total cost of the Project, which shall include all costs enumerated in Minnesota Statutes, Section 475.65, is estimated to be at least equal to the amount of the Bonds. Proceeds of the Bonds shall be expended on costs or uses permitted by Minnesota Statutes, Sections 469.1812 through 469.1815, and shall not be expended on any costs or devoted to any other uses. The City covenants that it shall do all things and perform all acts required of it to assure that work on the Project proceeds with due diligence to completion and that any and all permits and studies required under law for the Project are obtained.

4. Interest. The Bonds shall bear interest payable semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing February 1, 2023, calculated on the basis of a 360-day year of twelve 30-day months, at the respective rates per annum set forth opposite the maturity years as follows:

<u>Maturity Year</u>	<u>Interest Rate</u>	<u>Maturity Year</u>	<u>Interest Rate</u>
2024	%	2032	%
2025		2033	
2026		2034	
2027		2035	
2028		2036	
2029		2037	
2030		2038	
2031			

5. Redemption. All Bonds maturing on February 1, 2032, and thereafter, shall be subject to redemption and prepayment at the option of the City on February 1, 2031, and on any date thereafter at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and the principal amounts within each maturity to be redeemed shall be determined by the City; and if only

part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar. Bonds or portions thereof called for redemption shall be due and payable on the redemption date, and interest thereon shall cease to accrue from and after the redemption date. Mailed notice of redemption shall be given to the paying agent and to each affected registered holder of the Bonds not more than 60 days and not fewer than 30 days prior to the date fixed for redemption.

To effect a partial redemption of Bonds having a common maturity date, the Bond Registrar prior to giving notice of redemption shall assign to each Bond having a common maturity date a distinctive number for each \$5,000 of the principal amount of such Bond. The Bond Registrar shall then select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers so assigned to such Bonds, as many numbers as, at \$5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. If a Bond is to be redeemed only in part, it shall be surrendered to the Bond Registrar (with, if the City or Bond Registrar so requires, a written instrument of transfer in form satisfactory to the City and Bond Registrar duly executed by the Holder thereof or the Holder's attorney duly authorized in writing) and the City shall execute (if necessary) and the Bond Registrar shall authenticate and deliver to the Holder of the Bond, without service charge, a new Bond or Bonds having the same stated maturity and interest rate and of any Authorized Denomination or Denominations, as requested by the Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

6. Bond Registrar. The City hereby appoints Bond Trust Services Corporation, in Roseville, Minnesota, to act as bond registrar and transfer agent with respect to the Bonds (Bond Registrar), and shall do so unless and until a successor Bond Registrar is duly appointed, all pursuant to any contract the City and Bond Registrar shall execute which is consistent herewith. The Bond Registrar shall also serve as paying agent unless and until a successor paying agent is duly appointed. Principal and interest on the Bonds shall be paid to the registered holders (or record holders) of the Bonds in the manner set forth in the form of Bond and paragraph 12.

7. Form of Bond. The Bonds, together with the Bond Registrar's Certificate of Authentication, the form of Assignment and the registration information thereon, shall be in substantially the following form:

(The remainder of this page is intentionally left blank.)

UNITED STATES OF AMERICA
STATE OF MINNESOTA
ANOKA COUNTY
CITY OF FRIDLEY

R-_____

\$_____

GENERAL OBLIGATION TAX ABATEMENT BONDS, SERIES 2022A

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
%	February 1, ____	July 7, 2022	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

THE CITY OF FRIDLEY, ANOKA COUNTY, MINNESOTA (Issuer), certifies that it is indebted and for value received promises to pay to the registered owner specified above, or registered assigns, in the manner hereinafter set forth, the principal amount specified above, on the maturity date specified above, unless called for prepayment, and to pay interest thereon semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing February 1, 2023, at the rate per annum specified above (calculated on the basis of a 360-day year of twelve 30-day months) until the principal sum is paid or has been provided for. This Bond will bear interest from the most recent Interest Payment Date to which interest has been paid or, if no interest has been paid, from the date of original issue hereof. The principal of and premium, if any, on this Bond are payable upon presentation and surrender hereof at the principal office of Bond Trust Services Corporation, in Roseville, Minnesota (Bond Registrar), acting as paying agent, or any successor paying agent duly appointed by the Issuer. Interest on this Bond will be paid on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered (the "Holder" or "Bondholder") on the registration books of the Issuer maintained by the Bond Registrar and at the address appearing thereon at the close of business on the fifteenth day of the calendar month next preceding such Interest Payment Date (the "Regular Record Date"). Any interest not so timely paid shall cease to be payable to the person who is the Holder hereof as of the Regular Record Date, and shall be payable to the person who is the Holder hereof at the close of business on a date (Special Record Date) fixed by the Bond Registrar whenever money becomes available for payment of the defaulted interest. Notice of the Special Record Date shall be given to Bondholders not less than ten days prior to the Special Record Date. The principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America. So long as this Bond is registered in the name of the Depository or its Nominee as provided in the Resolution hereinafter described, and as those terms are defined therein, payment of principal of, premium, if any, and interest on this Bond and notice with respect thereto shall be made as provided in the Letter of Representations, as defined in the Resolution, and surrender of this Bond shall not be required for payment of the redemption price upon a partial redemption of this Bond. Until termination of the book-entry only system pursuant to the Resolution, Bonds may only be registered in the name of the Depository or its Nominee.

Optional Redemption. The Bonds of this issue (Bonds) maturing on February 1, 2032, and thereafter, are subject to redemption and prepayment at the option of the Issuer on February 1, 2031, and on any date thereafter at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and the principal amounts within each maturity to be redeemed shall be determined by the Issuer; and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar. Bonds or portions thereof called for redemption shall be due and payable on the redemption date, and interest thereon shall cease to accrue from and after the redemption date. Mailed notice of redemption shall be given to the paying agent and to each affected registered holder of the Bonds not more than 60 days and not fewer than 30 days prior to the date fixed for redemption.

Prior to the date on which any Bond or Bonds are directed by the Issuer to be redeemed in advance of maturity, the Issuer will cause notice of the call thereof for redemption identifying the Bonds to be redeemed to be mailed to the Bond Registrar and all Bondholders, at the addresses shown on the Bond Register. All Bonds so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption have been duly deposited.

Selection of Bonds for Redemption; Partial Redemption. To effect a partial redemption of Bonds having a common maturity date, the Bond Registrar shall assign to each Bond having a common maturity date a distinctive number for each \$5,000 of the principal amount of such Bond. The Bond Registrar shall then select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to the Bonds, as many numbers as, at \$5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of such Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. If a Bond is to be redeemed only in part, it shall be surrendered to the Bond Registrar (with, if the Issuer or Bond Registrar so requires, a written instrument of transfer in form satisfactory to the Issuer and Bond Registrar duly executed by the Holder thereof or the Holder's attorney duly authorized in writing) and the Issuer shall execute (if necessary) and the Bond Registrar shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of the same series having the same stated maturity and interest rate and of any Authorized Denomination or Denominations, as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

Issuance; Purpose; General Obligation. This Bond is one of an issue in the total principal amount of \$20,730,000, all of like date of original issue and tenor, except as to number, maturity, interest rate, denomination and redemption privilege issued pursuant to and in full conformity with the Constitution, Charter of the Issuer and laws of the State of Minnesota and a resolution adopted by the City Council on June 13, 2022 (Resolution), for the purpose of providing to finance the Park System Improvement Plan improvements located in the City that benefits the property for which property taxes are levied and/or abated as described in the Resolution. This Bond is

payable out of the General Obligation Tax Abatement Bonds Fund of the Issuer. This Bond constitutes a general obligation of the Issuer, and to provide moneys for the prompt and full payment of its principal, premium, if any, and interest when the same become due, the full faith and credit and taxing powers of the Issuer have been and are hereby irrevocably pledged.

Denominations; Exchange; Resolution. The Bonds are issuable solely in fully registered form in Authorized Denominations (as defined in the Resolution) and are exchangeable for fully registered Bonds of other Authorized Denominations in equal aggregate principal amounts at the principal office of the Bond Registrar, but only in the manner and subject to the limitations provided in the Resolution. Reference is hereby made to the Resolution for a description of the rights and duties of the Bond Registrar. Copies of the Resolution are on file in the principal office of the Bond Registrar.

Transfer. This Bond is transferable by the Holder in person or by the Holder's attorney duly authorized in writing at the principal office of the Bond Registrar upon presentation and surrender hereof to the Bond Registrar, all subject to the terms and conditions provided in the Resolution and to reasonable regulations of the Issuer contained in any agreement with the Bond Registrar. Thereupon the Issuer shall execute and the Bond Registrar shall authenticate and deliver, in exchange for this Bond, one or more new fully registered Bonds in the name of the transferee (but not registered in blank or to "bearer" or similar designation), of an Authorized Denomination or Denominations, in aggregate principal amount equal to the principal amount of this Bond, of the same maturity and bearing interest at the same rate.

Fees upon Transfer or Loss. The Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange of this Bond and any legal or unusual costs regarding transfers and lost Bonds.

Treatment of Registered Owners. The Issuer and Bond Registrar may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except as otherwise provided herein with respect to the Record Date) and for all other purposes, whether or not this Bond shall be overdue, and neither the Issuer nor the Bond Registrar shall be affected by notice to the contrary.

Authentication. This Bond shall not be valid or become obligatory for any purpose or be entitled to any security unless the Certificate of Authentication hereon shall have been executed by the Bond Registrar.

Not Qualified Tax-Exempt Obligation. This Bond has not been designated by the Issuer as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

It is hereby certified and recited that all acts, conditions and things required by the Constitution, Charter of the Issuer and laws of the State of Minnesota to be done, to happen and to be performed, precedent to and in the issuance of this Bond, have been done, have happened and have been performed, in regular and due form, time and manner as required by law, and that

this Bond, together with all other debts of the Issuer outstanding on the date of original issue hereof and the date of its issuance and delivery to the original purchaser, does not exceed any constitutional or statutory limitation of indebtedness.

In witness whereof, the City of Fridley, Anoka County, Minnesota, by its City Council has caused this Bond to be executed on its behalf by the facsimile signatures of its Mayor and its City Manager, the corporate seal of the Issuer having been intentionally omitted as permitted by law.

Date of Registration:

Registrable by: BOND TRUST SERVICES
CORPORATION

Payable at: BOND TRUST SERVICES
CORPORATION

BOND REGISTRAR'S
CERTIFICATE OF
AUTHENTICATION

This Bond is one of the
Bonds described in the
Resolution mentioned
within.

CITY OF FRIDLEY,
ANOKA COUNTY, MINNESOTA

BOND TRUST SERVICES CORPORATION
Roseville, Minnesota,
Bond Registrar

/s/ Facsimile

Mayor

By: .
Authorized Signature

/s/ Facsimile

City Manager

Abbreviations

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in common

UTMA - _____ as custodian for _____

(Cust)

(Minor)

under the _____ Uniform Transfers to Minors Act

(State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and does hereby irrevocably constitute and appoint _____ attorney to transfer the Bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: _____

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

Signature Guaranteed:

Signature(s) must be guaranteed by a national bank or trust company or by a brokerage firm having a membership in one of the major stock exchanges or any other "Eligible Guarantor Institution" as defined in 17 CFR 240.17 Ad-15(a)(2).

The Bond Registrar will not affect transfer of this Bond unless the information concerning the transferee requested below is provided.

Name and Address: _____

(Include information for all joint owners if the Bond is held by joint account.)

8. Execution. The Bonds shall be in typewritten form, shall be executed on behalf of the City by the signatures of its Mayor and City Manager and be sealed with the seal of the City; provided, as permitted by law, both signatures may be photocopied facsimiles and the corporate seal has been omitted. In the event of disability or resignation or other absence of either officer, the Bonds may be signed by the manual or facsimile signature of the officer who may act on behalf of the absent or disabled officer. In case either officer whose signature or facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of the Bonds, the signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until delivery

9. Authentication. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this resolution unless a Certificate of Authentication on the Bond, substantially in the form hereinabove set forth, shall have been duly executed by an authorized representative of the Bond Registrar. Certificates of Authentication on different Bonds need not be signed by the same person. The Bond Registrar shall authenticate the signatures of officers of the City on each Bond by execution of the Certificate of Authentication on the Bond and by inserting as the date of registration in the space provided the date on which the Bond is authenticated, except that for purposes of delivering the original Bonds to the Purchaser, the Bond Registrar shall insert as a date of registration the date of original issue of July 7, 2022. The Certificate of Authentication so executed on each Bond shall be conclusive evidence that it has been authenticated and delivered under this resolution.

10. Registration; Transfer; Exchange. The City will cause to be kept at the principal office of the Bond Registrar a bond register in which, subject to such reasonable regulations as the Bond Registrar may prescribe, the Bond Registrar shall provide for the registration of Bonds and the registration of transfers of Bonds entitled to be registered or transferred as herein provided.

Upon surrender for transfer of any Bond at the principal office of the Bond Registrar, the City shall execute (if necessary), and the Bond Registrar shall authenticate, insert the date of registration (as provided in paragraph 9) of, and deliver, in the name of the designated transferee or transferees, one or more new Bonds of any Authorized Denomination or Denominations of a like aggregate principal amount, having the same stated maturity and interest rate, as requested by the transferor; provided, however, that no Bond may be registered in blank or in the name of "bearer" or similar designation.

At the option of the Holder, Bonds may be exchanged for Bonds of any Authorized Denomination or Denominations of a like aggregate principal amount and stated maturity, upon surrender of the Bonds to be exchanged at the principal office of the Bond Registrar. Whenever any Bonds are so surrendered for exchange, the City shall execute (if necessary), and the Bond Registrar shall authenticate, insert the date of registration of, and deliver the Bonds which the Holder making the exchange is entitled to receive.

All Bonds surrendered upon any exchange or transfer provided for in this resolution shall be promptly canceled by the Bond Registrar and thereafter disposed of as directed by the City.

All Bonds delivered in exchange for or upon transfer of Bonds shall be valid general obligations of the City evidencing the same debt, and entitled to the same benefits under this resolution, as the Bonds surrendered for such exchange or transfer.

Every Bond presented or surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, in form satisfactory to the Bond Registrar, duly executed by the Holder thereof or the Holder's attorney duly authorized in writing.

The Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange of any Bond and any legal or unusual costs regarding transfers and lost Bonds.

Transfers shall also be subject to reasonable regulations of the City contained in any agreement with the Bond Registrar, including regulations which permit the Bond Registrar to close its transfer books between record dates and payment dates. The Finance Director is hereby authorized to negotiate and execute the terms of said agreement.

11. Rights Upon Transfer or Exchange. Each Bond delivered upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

12. Interest Payment; Record Date. Interest on any Bond shall be paid on each Interest Payment Date by check or draft mailed to the person in whose name the Bond is registered (the "Holder") on the registration books of the City maintained by the Bond Registrar and at the address appearing thereon at the close of business on the fifteenth day of the calendar month next preceding such Interest Payment Date (Regular Record Date). Any such interest not so timely paid shall cease to be payable to the person who is the Holder thereof as of the Regular Record Date, and shall be payable to the person who is the Holder thereof at the close of business on a date (Special Record Date) fixed by the Bond Registrar whenever money becomes available for payment of the defaulted interest. Notice of the Special Record Date shall be given by the Bond Registrar to the Holders not less than ten days prior to the Special Record Date.

13. Treatment of Registered Owner. The City and Bond Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of principal of and premium, if any, and interest (subject to the payment provisions in paragraph 12) on, such Bond and for all other purposes whatsoever whether or not such Bond shall be overdue, and neither the City nor the Bond Registrar shall be affected by notice to the contrary.

14. Delivery; Application of Proceeds. The Bonds when so prepared and executed shall be delivered by the Finance Director to the Purchaser upon receipt of the purchase price, and the Purchaser shall not be obliged to see to the proper application thereof.

15. Fund and Accounts. There is hereby established a special fund to be designated "General Obligation Tax Abatement Bonds Fund" (Fund) to be administered and maintained by the Finance Director as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the City. The Fund shall be maintained in the manner herein specified until all of the Bonds and interest thereon have been fully paid and the City has been fully reimbursed from the pledge of Tax Abatements for payment of the principal on the Bonds paid by the City from taxes levied on property in the City other than the Project. There shall be maintained in the Fund the following separate accounts:

(a) Construction Account. To the Construction Account there shall be credited the proceeds of the sale of the Bonds, less any amount paid for the Bonds in excess of the minimum bid, and less any capitalized interest in the amount of \$_____. From the Construction Account there shall be paid all costs and expenses of the Project, including the cost of any construction contracts heretofore let and all other costs incurred and to be incurred of the kind authorized in Minnesota Statutes, Section 475.65. Moneys in the Construction Account shall be used for no other purpose except as otherwise provided by law. Proceeds of the Bonds may be used to the extent necessary to pay interest on the Bonds due prior to the anticipated date of commencement of the collection of Tax Abatements and taxes herein levied or covenanted to be levied and if upon completion of the Project there shall remain any unexpended balance in the Construction Account, the balance shall be transferred to the Debt Service Account.

(b) Debt Service Account. To the Debt Service Account there is hereby irrevocably appropriated and pledged, and there shall be credited (i) Tax Abatements in an amount sufficient to pay the annual principal payments on the Bonds; (ii) capitalized interest in the amount of \$_____ (together with interest earnings thereon) and subject to such other adjustments as are appropriate to provide sufficient funds to pay interest due on the Bonds on or before February 1, 2023; (iii) any amount paid for the Bonds in excess of the minimum bid; (iv) any collections of all taxes herein and hereafter levied for the payment of the interest on the Bonds; (v) all funds remaining in the Construction Account after completion of the Project and payment of the costs thereof; (vi) all investment earnings on funds held in the Debt Service Account; and (vii) any and all other moneys which are properly available and are appropriated by the governing body of the City to the Debt Service Account. The Debt Service Account shall be used solely to pay the principal and interest and any premiums for redemption of the Bonds.

No portion of the proceeds of the Bonds shall be used directly or indirectly to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except (1) for a reasonable temporary period until such proceeds are needed for the purpose for which the Bonds were issued and (2) in addition to the above in an amount not greater than the lesser of five percent of the proceeds of the Bonds or \$100,000. To this effect, any proceeds of the Bonds and any sums from time to time held in the Construction Account or Debt Service Account (or any other City account which will be used to pay principal or interest to become due on the

bonds payable therefrom) in excess of amounts which under then-applicable federal arbitrage regulations may be invested without regard to yield shall not be invested at a yield in excess of the applicable yield restrictions imposed by said arbitrage regulations on such investments after taking into account any applicable "temporary periods" or "minor portion" made available under the federal arbitrage regulations. Money in the Fund shall not be invested in obligations or deposits issued by, guaranteed by or insured by the United States or any agency or instrumentality thereof if and to the extent that such investment would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Internal Revenue Code of 1986, as amended (Code).

16. Tax Abatements; Use of Tax Abatements. The Council has adopted the Abatement Resolution and has thereby approved the Tax Abatements, including the pledge thereof to the payment of principal of the Bonds. As provided in the Abatement Resolution, the estimated total amount of Tax Abatements, if received as estimated for the full maximum term thereof, is \$20,730,000, and therefore the principal amount of the Bonds does not exceed the maximum projected amount of the Tax Abatements. The Council hereby confirms the Abatement Resolution, which is hereby incorporated as though set forth herein.

17. Tax Levy; Coverage Test. To provide moneys for payment of the interest on the Bonds, there is hereby levied upon all of the taxable property in the City a direct annual ad valorem tax which shall be spread upon the tax rolls and collected with and as part of other general property taxes in the City for the years and in the amounts as follows:

<u>Year of Tax Levy</u>	<u>Year of Tax Collection</u>	<u>Amount</u>
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See Attached Tax Levy Schedule

The tax levies are such that if collected in full they, together with estimated collections of Tax Abatements, will produce at least five percent in excess of the amount needed to meet when due the principal and interest payments on the Bonds. The tax levies shall be irrevocable so long as any of the Bonds are outstanding and unpaid, provided that the City reserves the right and power to reduce the levies in the manner and to the extent permitted by Minnesota Statutes, Section 475.61, Subdivision 3.

18. General Obligation Pledge. For the prompt and full payment of the principal of and interest on the Bonds as the same respectively become due, the full faith, credit and taxing powers of the City shall be and are hereby irrevocably pledged. If the balance in the Debt Service Account is ever insufficient to pay all principal and interest then due on the Bonds payable therefrom, the deficiency shall be promptly paid out of any other accounts of the City which are available for such purpose, and such other funds may be reimbursed without interest from the Debt Service Account when a sufficient balance is available therein.

19. Defeasance. When all Bonds have been discharged as provided in this paragraph, all pledges, covenants and other rights granted by this resolution to the registered holders of the Bonds shall, to the extent permitted by law, cease. The City may discharge its obligations

with respect to any Bonds which are due on any date by irrevocably depositing with the Bond Registrar on or before that date a sum sufficient for the payment thereof in full; or if any Bond should not be paid when due, it may nevertheless be discharged by depositing with the Bond Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit. The City may also discharge its obligations with respect to any prepayable Bonds called for redemption on any date when they are prepayable according to their terms, by depositing with the Bond Registrar on or before that date a sum sufficient for the payment thereof in full, provided that notice of redemption thereof has been duly given. The City may also at any time discharge its obligations with respect to any Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a suitable banking institution qualified by law as an escrow agent for this purpose, cash or securities described in Minnesota Statutes, Section 475.67, Subdivision 8, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without regard to sale and/or reinvestment, to pay all amounts to become due thereon to maturity or, if notice of redemption as herein required has been duly provided for, to such earlier redemption date.

20. Compliance With Reimbursement Bond Regulations. The provisions of this paragraph are intended to establish and provide for the City's compliance with United States Treasury Regulations Section 1.150-2 (Reimbursement Regulations) applicable to the "reimbursement proceeds" of the Bonds, being those portions thereof which will be used by the City to reimburse itself for any expenditure which the City paid or will have paid prior to the Closing Date (a "Reimbursement Expenditure").

The City hereby certifies and/or covenants as follows:

(a) Not later than sixty days after the date of payment of a Reimbursement Expenditure, the City (or person designated to do so on behalf of the City) has made or will have made a written declaration of the City's official intent (Declaration) which effectively (i) states the City's reasonable expectation to reimburse itself for the payment of the Reimbursement Expenditure out of the proceeds of a subsequent borrowing; (ii) gives a general and functional description of the property, project or program to which the Declaration relates and for which the Reimbursement Expenditure is paid, or identifies a specific fund or account of the City and the general functional purpose thereof from which the Reimbursement Expenditure was to be paid (Project); and (iii) states the maximum principal amount of debt expected to be issued by the City for the purpose of financing the Project; provided, however, that no such Declaration shall necessarily have been made with respect to: (i) "preliminary expenditures" for the Project, defined in the Reimbursement Regulations to include engineering or architectural, surveying and soil testing expenses and similar preliminary costs, which in the aggregate do not exceed twenty percent of the "issue price" of the Bonds, and (ii) a *de minimis* amount of Reimbursement Expenditures not in excess of the lesser of \$100,000 or five percent of the proceeds of the Bonds.

(b) Each Reimbursement Expenditure is a capital expenditure or a cost of issuance of the Bonds or any of the other types of expenditures described in Section 1.150-2(d)(3) of the Reimbursement Regulations.

(c) The "reimbursement allocation" described in the Reimbursement Regulations for each Reimbursement Expenditure shall and will be made forthwith following (but not prior to) the issuance of the Bonds, and not later than 18 months after the later of (i) the date of the payment of the Reimbursement Expenditure, or (ii) the date on which the Project to which the Reimbursement Expenditure relates is first placed in service, but in no event more than three years after the date of payment of the Reimbursement Expenditure.

(d) Each such reimbursement allocation will be made in a writing that evidences the City's use of Bond proceeds to reimburse the Reimbursement Expenditure and, if made within 30 days after the Bonds are issued, shall be treated as made on the day the Bonds are issued.

Provided, however, that the City may take action contrary to any of the foregoing covenants in this paragraph upon receipt of an opinion of its Bond Counsel for the Bonds stating in effect that such action will not impair the tax-exempt status of the Bonds.

21. Certificate of Registration. The City Manager is hereby directed to file a certified copy of this resolution with the County Auditor of Anoka County, Minnesota, Minnesota, together with such other information as the Auditor shall require, and to obtain the Auditor's certificates that the Bonds have been entered in the Auditor's Bond Register, and that the tax levy required by law has been made.

22. Continuing Disclosure. The City is the sole obligated person with respect to the Bonds. The City hereby agrees, in accordance with the provisions of Rule 15c2-12 (Rule), promulgated by the Securities and Exchange Commission (Commission) pursuant to the Securities Exchange Act of 1934, as amended, and a Continuing Disclosure Undertaking (Undertaking) hereinafter described to:

(a) Provide or cause to be provided to the Municipal Securities Rulemaking Board (MSRB) by filing at www.emma.msrb.org in accordance with the Rule, certain annual financial information and operating data in accordance with the Undertaking. The City reserves the right to modify from time to time the terms of the Undertaking as provided therein.

(b) Provide or cause to be provided to the MSRB notice of the occurrence of certain events with respect to the Bonds in not more than 10 business days after the occurrence of the event, in accordance with the Undertaking.

(c) Provide or cause to be provided to the MSRB notice of a failure by the City to provide the annual financial information with respect to the City described in the Undertaking, in not more than 10 business days following such occurrence.

(d) The City agrees that its covenants pursuant to the Rule set forth in this paragraph and in the Undertaking is intended to be for the benefit of the Holders of the Bonds and shall be enforceable on behalf of such Holders; provided that the right to enforce the provisions of these covenants shall be limited to a right to obtain specific enforcement of the City's obligations under the covenants.

The Mayor and City Manager of the City, or any other officer of the City authorized to act in their place (Officers) are hereby authorized and directed to execute on behalf of the City the Undertaking in substantially the form presented to the City Council subject to such modifications thereof or additions thereto as are (i) consistent with the requirements under the Rule, (ii) required by the Purchaser of the Bonds, and (iii) acceptable to the Officers.

23. Records and Certificates. The officers of the City are hereby authorized and directed to prepare and furnish to the Purchaser, and to the attorneys approving the legality of the issuance of the Bonds, certified copies of all proceedings and records of the City relating to the Bonds and to the financial condition and affairs of the City, and such other affidavits, certificates and information as are required to show the facts relating to the legality and marketability of the Bonds as the same appear from the books and records under their custody and control or as otherwise known to them, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall be deemed representations of the City as to the facts recited therein.

24. Negative Covenant as to Use of Bond Proceeds and Project. The City hereby covenants not to use the proceeds of the Bonds or to use the Project, or to cause or permit them to be used, or to enter into any deferred payment arrangements for the cost of the Project, in such a manner as to cause the Bonds to be "private activity bonds", other than qualified 501(c)(3) bonds, within the meaning of Sections 103 and 141 through 150 of the Code.

25. Tax-Exempt Status of the Bonds; Rebate. The City shall comply with requirements necessary under the Code to establish and maintain the exclusion from gross income under Section 103 of the Code of the interest on the Bonds, including without limitation (i) requirements relating to temporary periods for investments, (ii) limitations on amounts invested at a yield greater than the yield on the Bonds, and (iii) the rebate of excess investment earnings to the United States. The Mayor and/or the City Manager, are hereby authorized and directed to make such elections as to arbitrage and rebate matters relating to the Bonds as they deem necessary, appropriate or desirable in connection with the Bonds, and all such elections shall be, and shall be deemed and treated as, elections of the City.

26. No Designation of Qualified Tax-Exempt Obligations. The City will not designate the Bonds as "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code.

27. Official Statement. The Official Statement relating to the Bonds prepared and distributed by Ehlers is hereby approved and the officers of the City are authorized in connection with the delivery of the Bonds to sign such certificates as may be necessary with respect to the completeness and accuracy of the Official Statement.

28. Payment of Issuance Expenses. The City authorizes the Purchaser to forward the amount of Bond proceeds allocable to the payment of issuance expenses to Wells Fargo Bank, San Francisco, California, on the closing date for further distribution as directed by the City's municipal advisor, Ehlers.

29. Severability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

30. Headings. Headings in this resolution are included for convenience of reference only and are not a part hereof, and shall not limit or define the meaning of any provision hereof.

The motion for the adoption of the foregoing resolution was duly seconded by member _____ and, after a full discussion thereof and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

Whereupon the resolution was declared duly passed and adopted.

EXTRACT OF MINUTES OF A MEETING
OF THE CITY COUNCIL
CITY OF FRIDLEY, MINNESOTA

HELD: June 13, 2022

Pursuant to due call and notice thereof, a regular or special meeting of the City Council of the City of Fridley, Anoka County, Minnesota, was duly called and held at the City Hall on June 13, 2022, at 7:00 P.M., for the purpose, in part, of authorizing issuance and awarding the sale of \$20,730,000 General Obligation Tax Abatement Bonds, Series 2022A.

The following members were present:

and the following were absent:

EXHIBIT A

PROPOSALS

[To be provided by Ehlers & Associates, Inc.]

EXHIBIT B

TAX LEVY SCHEDULE

[To be supplied by Ehlers & Associates, Inc.]