



Council Work Session - 6:30 p.m.

CITY COUNCIL AGENDA
Tuesday, October 21, 2014
7:00 p.m.
Coon Rapids City Center
Council Chambers

Open Mic/Public Comment

Call to Order

Pledge of Allegiance

Roll Call

Adopt Agenda

Proclamations/Presentations

Approval of Minutes of Previous Meeting **date**

Consent Agenda

Reports on Previous Open Mic

Public Hearing

Bid Openings and Contract Awards

Old Business

New Business

10. Consider Approval of Memorandum of Understanding with MHC Bunker Hills, LLC.

11. Consider Approval of Class A On Sale and Sunday Liquor License for MHC Bunker Hills, LLC., d/b/a Harvest Grill with Conditions.

12. Consider Adopting Resolution 14-97, Awarding the Sale of \$9,720,000 General Obligation Bonds, Series 2014A

Other Business

Adjourn



City Council Addendum

Meeting Date: 10/21/2014

Subject: Bunker Hills Clubhouse Food/Beverage Operator

From: Joan Lenzmeier, City Clerk

INTRODUCTION

It is requested that the City Council authorize a memorandum of understanding with a management consultant for the operation of the food and beverage operation at Bunker Hills Golf Club.

DISCUSSION

As the City Council is aware, the City authorized a Temporary Assignment Agreement with the present operator of the food and beverage operation at Bunker Hills Golf Club until November 2 at which time a new vendor would work with the City to operate the facility. Staff has been in discussion with five potential operators and is recommending Morrissey Hospitality Companies Inc. (MHC), which has created a limited liability company named MHC Bunker Hills, LLC. to manage the facility for the City. Unlike the present arrangement with the food and beverage provider, MHC will manage the operation with the City. The City will retain profits with MHC receiving a management fee and incentives for increasing both gross sales and net income.

The Morrissey Hospitality Companies presently manage a number of restaurant and catering facilities around the metropolitan area including the St. Paul Grill, Pazzaluna Urban Italian Restaurant and Bar as well as Tria Restaurant and Bar. MHC has been managing facilities since 1995. MHC also provides management services to the St. Paul River Centre and Hillcrest Golf Club.

The selection committee reviewed proposals and interviewed Prom Management Group, Break Bread Hospitality, Lancer Hospitality, Tri-City Management as well as Morrissey Hospitality Companies. Based on their experience with both banquet and restaurant facilities as well as golf courses, staff feels that MHC is well positioned to guide the City to the highest revenue potential and level of customer service.

Staff is requesting that the City Council approve a memorandum of understanding with MHC Bunker Hills, LLC. in anticipation of a contract approval in the near term. MHC Bunker Hills, LLC. will be paid a monthly fee for the first four months of the agreement of \$8,500. Thereafter, the management fee and incentives would begin.

RECOMMENDATION

Consider Approval of Memorandum of Understanding with MHC Bunker Hills, LLC.

Attachments

MOU with MHC Bunker Hills LLC

Form Review

Form Started By: Joan Lenzmeier
Final Approval Date: 10/21/2014

Started On: 10/21/2014 08:00 AM

MEMORANDUM OF UNDERSTANDING

THE CITY OF COON RAPIDS, MINNESOTA AND MHC BUNKER HILLS, LLC.

THIS MEMORANDUM OF UNDERSTANDING made and entered into this _____ day of October, 2014 by the City of Coon Rapids, a Minnesota municipal corporation, hereinafter referred to as “City”, and, MHC Bunker Hills, LLC., a Minnesota corporation, hereinafter referred to as “MHC Bunker Hills.”

WITNESSETH:

MHC Bunker Hills is as a full-service hospitality management, development, and consulting company in Minnesota; and

The City operates Bunker Hills Golf Club which has restaurant/bar and banquet center facilities; and,

The City has been leasing the space to a food/beverage provider since 2011; and,

The City executed a Temporary Assignment agreement with the present provider until November 2, 2014 at which time the present provider will no longer be leasing space from the City or providing restaurant and banquet service at Bunker Hills Golf Club; and,

The City is desirous of contracting with MHC Bunker Hills to manage the restaurant/bar and banquet center facilities on a fee basis until such time as final terms of the contract can be completed; and,

MHC Bunker Hills wishes to manage the restaurant/bar and banquet facilities at Bunker Hills Golf Club on behalf of the City; and

Time is of the essence to allow service to continue to the customers of the facilities.

NOW, THEREFORE, BE IT RESOLVED:

1. That the parties agree in principal that effective November 3, 2014, the City will contract with MHC Bunker Hills to manage the bar/restaurant and banquet facilities at Bunker Hills Golf Club at a fee of \$8,500 per month in addition to an accounting fee of \$2,500 per month.
2. The parties will continue to work to together in good faith to execute a management agreement for a mutually agreeable term and with all additional conditions as agreed upon.
3. The parties will continue to work together to continue the operations at the restaurant/bar and banquet facilities at Bunker Hills Golf Club

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

MHC Bunker Hills, LLC.

By: _____

City of Coon Rapids

By: _____

Tim Howe, Mayor

By: _____

Steve Gatlin, City Manager



City Council Addendum

Meeting Date: 10/21/2014

Subject: Class A On Sale and Sunday Liquor License for MHC Bunker Hills, LLC. d/b/a Harvest Grill

From: Joan Lenzmeier, City Clerk

INTRODUCTION

Council is asked to approve a Class A On Sale and Sunday Liquor License for MHC Bunker Hills, LLC, d/b/a Harvest Grill.

DISCUSSION

Phil Jungwirth, on behalf of MHC Bunker Hills, LLC. has submitted an application for a Class A On Sale and Sunday Liquor License for Harvest Grill located at 12800 Bunker Prairie Road.

The City plans to enter into a Memorandum of Understanding with MHC Bunker Hills, LLC., to manage the restaurant/bar and banquet facilities at Bunker Hills Golf Club on behalf of the City. Assuming that Council approves the Memorandum of Understanding with MHC Bunker Hills, LLC., Staff recommends approval of the Class A On Sale and Sunday Liquor License for MHC Bunker Hills, LLC., d/b/a Harvest Grill conditioned on the following:

1. The license and investigation fees be paid;
2. Satisfactory Completion of background investigations on partners and restaurant managers of MHC Bunker Hills, LLC.
3. Receipt of a Certificate of Insurance evidencing appropriate liquor liability insurance;
4. Receipt of a Certificate of Insurance evidencing worker's compensation coverage; and
5. Receipt of Evidence of Anoka County Food Service License.

RECOMMENDATION

Consider Approval of Class A On Sale and Sunday Liquor License for MHC Bunker Hills, LLC., d/b/a Harvest Grill with Conditions.

Form Review

Form Started By: Joan Lenzmeier
Final Approval Date: 10/21/2014

Started On: 10/21/2014 07:55 AM



City Council Addendum

Meeting Date: 10/21/2014

Subject: Bond Issuance

Submitted For: Sharon Legg, Finance Director

From: Sharon Legg, Finance Director

INTRODUCTION

A bond issue was provided for on October 7, 2014 to be sold on October 21, 2014.

DISCUSSION

City Council provided for the sale of \$9,720,000 G.O. Bonds, Series 2014A at the last Council meeting. Bids will be received on October 21 which will be presented at the council meeting. In anticipation of good results, a resolution accepting the sale is attached. The G. O. Bonds will fund the following street projects:

- Project 12-26 Coon Rapids Boulevard and Springbrook Drive
- Project 12-29 Crooked Lake & Northdale Boulevards Signals and Turn Lanes
- Project 14-01 2014 Street Reconstruction
- Project 14-02 2014 Street Reconstruction
- Project 14-03 2014 Street Reconstruction
- Project 14-04 2014 Street Reconstruction

Additionally, bonds are being sold for \$4,635,000 of water improvements and \$860,000 for storm drainage improvements. The water improvements include costs incurred along with the above mentioned street projects as well as \$950,000 for the proposed SCADA system for the water treatment plant.

RECOMMENDATION

Adopt Resolution 14-97 Awarding the Sale of \$9,720,000 General Obligation Bonds, Series 2014 A Fixing their Form and Specifications; Directing their Execution and Delivery; and Providing for their Payment.

Attachments

RS 14-97 Bond Sales

Moody's Report

Form Review

| Inbox | Reviewed By | Date |
|---------------------------------|--------------------|---------------------------------|
| Steve Gatlin | Steve Gatlin | 10/21/2014 09:06 AM |
| Form Started By: Sharon Legg | | Started On: 10/16/2014 10:47 AM |
| Final Approval Date: 10/21/2014 | | |

RESOLUTION 14-97

**RESOLUTION AWARDING THE SALE OF \$9,720,000 GENERAL
OBLIGATION BONDS, SERIES 2014A
FIXING THEIR FORM AND SPECIFICATIONS;
DIRECTING THEIR EXECUTION AND DELIVERY;
AND PROVIDING FOR THEIR PAYMENT.**

BE IT RESOLVED By the City Council of the City of Coon Rapids, Anoka County, Minnesota (the “City”) in regular meeting assembled as follows:

Section 1. Background.

1.01 The City is authorized by Minnesota Statutes, Chapters 429 (the “Improvement Act”) to provide financing for various public street improvements in the City (the “Improvements”).

1.02 The City is authorized by Minnesota Statutes, Section 444.075 and Minnesota Statutes, Chapter 475, as amended (the “Utility Act”), to finance all or a portion of the cost of certain improvements to the water and storm sewer systems of the City (the “Utility Improvements”) by the issuance of general obligation bonds of the City payable from the net revenues of the water and storm sewer utility systems of the City.

Section 2. Sale of Bonds.

2.01 It is hereby determined that it is necessary to provide financing for the Improvements and the Utility Improvements and to finance those improvements through the issuance of the City’s \$9,720,000 General Obligation Bonds, Series 2014A (the “Bonds”).

2.02. Acceptance of Offer. The proposal of _____ (the “Purchaser”) to purchase the Bonds described in the Terms of Proposal is hereby found and determined to be a reasonable offer and is hereby accepted, the proposal being to purchase the Bonds at a price of \$_____ plus accrued interest to date of delivery, for Bonds bearing interest as follows:

| <u>Year of Maturity</u> | <u>Interest Rate</u> | <u>Year of Maturity</u> | <u>Interest Rate</u> |
|-----------------------------|--------------------------|-----------------------------|--------------------------|
| 2016 | | 2021 | |
| 2017 | | 2022 | |
| 2018 | | 2023 | |
| 2019 | | 2024 | |
| 2020 | | 2025 | |

2.03. Purchase Contract. Any original issue premium and any rounding amount shall be credited to the Debt Service Fund hereinafter created, or deposited in the Construction Fund under Section 4.01 hereof, as determined by the City’s financial advisor and the City Finance Director. The City Finance Director is directed to retain the good faith check of the Purchaser, pending completion of the sale of the Bonds, and to return the good faith checks of the unsuccessful proposers. The Mayor and City Finance Director are authorized to execute a contract with the Purchaser on behalf of the City.

2.04. Terms of Bonds. The City will forthwith issue and sell the Bonds pursuant to Minnesota Statutes, Chapters 429, 444 and 475 (together, the “Act”), in the total principal amount of \$9,720,000, originally dated as of November 18, 2014, the Bonds being in fully registered form and issued in the denomination of \$5,000 or any integral multiple thereof, numbered No. R-1 and upward, bearing interest as above set forth, and maturing on February 1 in the years and amounts as follows:

| <u>Year</u> | <u>Amount</u> | <u>Year</u> | <u>Amount</u> |
|-------------|---------------|-------------|---------------|
| 2016 | \$915,000 | 2021 | \$940,000 |
| 2017 | 960,000 | 2022 | 965,000 |
| 2018 | 965,000 | 2023 | 985,000 |
| 2019 | 975,000 | 2024 | 1,000,000 |
| 2020 | 985,000 | 2025 | 1,030,000 |

\$4,225,000 of the Bonds (the “Improvement Bonds”) maturing in the amounts and on the dates set forth below are being issued to finance the cost of the Improvements:

| <u>Year</u> | <u>Amount</u> | <u>Year</u> | <u>Amount</u> |
|-------------|---------------|-------------|---------------|
| 2016 | \$420,000 | 2021 | \$390,000 |
| 2017 | 440,000 | 2022 | 400,000 |
| 2018 | 440,000 | 2023 | 410,000 |
| 2019 | 440,000 | 2024 | 415,000 |
| 2020 | 445,000 | 2025 | 425,000 |

\$5,495,000 of the Bonds (the “Utility Improvement Bonds”) maturing in the amounts and on the dates set forth below are being issued to finance the cost of the Utility Improvements:

| <u>Year</u> | <u>Amount</u> | <u>Year</u> | <u>Amount</u> |
|-------------|---------------|-------------|---------------|
| 2016 | \$495,000 | 2021 | \$550,000 |
| 2017 | 520,000 | 2022 | 565,000 |
| 2018 | 525,000 | 2023 | 575,000 |
| 2019 | 535,000 | 2024 | 585,000 |
| 2020 | 540,000 | 2025 | 605,000 |

2.05. Optional Redemption. The City may elect on February 1, 2022, and on any day thereafter to prepay Bonds maturing on or after February 1, 2023. Redemption may be in whole or

in part and if in part, at the option of the City and in such manner as the City will determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC (as defined in Section 7 hereof) of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. Prepayments will be at a price of par plus accrued interest.

Section 3. Form; Registration.

3.01. Registered Form. The Bonds will be issuable only in fully registered form. The interest thereon and, upon surrender of each Bond, the principal amount thereof will be payable by check or draft issued by the Registrar described herein.

3.02. Dates; Interest Payment Dates. Each Bond will be dated as of the last interest payment date preceding the date of authentication to which interest on the Bond has been paid or made available for payment, unless (i) the date of authentication is an interest payment date to which interest has been paid or made available for payment, in which case the Bond will be dated as of the date of authentication, or (ii) the date of authentication is prior to the first interest payment date, in which case the Bond will be dated as of the date of original issue. The interest on the Bonds will be payable on February 1 and August 1 in each year, commencing August 1, 2015, to the registered owners of record as of the close of business on the 15th day of the immediately preceding month, whether or not that day is a business day.

3.03. Registration. The City will appoint a bond registrar, transfer agent, authenticating agent and paying agent (the "Registrar"). The effect of registration and the rights and duties of the City and the Registrar with respect thereto are as follows:

(a) Register. The Registrar will keep at its principal corporate trust office a bond register in which the Registrar will provide for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged.

(b) Transfer of Bonds. Upon surrender for transfer of any Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar will authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer after the fifteenth day of the month preceding each interest payment date and until that interest payment date.

(c) Exchange of Bonds. Whenever any Bonds are surrendered by the registered owner for exchange the Registrar will authenticate and deliver one or more new Bonds of a like aggregate principal amount and maturity as requested by the registered owner's attorney in writing.

(d) Cancellation. All Bonds surrendered upon a transfer or exchange will be promptly cancelled by the Registrar and thereafter disposed of as directed by the City.

(e) Improper or Unauthorized Transfer. When any Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar will incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The City and the Registrar may treat the person in whose name any Bond is at any time registered in the bond register as the absolute owner of such Bond, whether such Bond is overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order will be valid and effectual to satisfy and discharge the liability upon the Bond to the extent of the sum or sums to be paid.

(g) Taxes, Fees and Charges. The Registrar may impose a charge upon the owner thereof for every transfer or exchange of Bonds, sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond will become mutilated or be destroyed, stolen or lost, the Registrar will deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to it that such Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the City and the Registrar will be named as obligees. All Bonds so surrendered to the Registrar will be cancelled by it and evidence of such cancellation must be given to the City. If the mutilated, destroyed, stolen or lost bond has already matured or been called for redemption in accordance with its terms it will not be necessary to issue a new Bond prior to payment.

3.04. Appointment of Initial Registrar. The City appoints the City Finance Director, Coon Rapids, Minnesota, as the initial Registrar.

3.05. Execution, Authentication and Delivery. The Bonds will be prepared under the direction of the City Clerk and will be executed on behalf of the City by the signatures of the Mayor and the City Clerk, provided that all signatures may be printed, engraved or lithographed facsimiles of the originals. If an officer whose signature or a facsimile of whose signature appears on the Bonds will cease to be such officer before the delivery of any Bond, that signature

or facsimile will nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until delivery. Notwithstanding such execution, no Bond will be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until a certificate of authentication on a Bond has been duly executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on different Bonds need not be signed by the same representative. The executed certificate of authentication on each Bond will be conclusive evidence that it has been authenticated and delivered under this Resolution. When the Bonds have been so prepared, executed and authenticated, the City Clerk will deliver the same to the Purchaser thereof upon payment of the purchase price in accordance with the contract of sale heretofore made and executed, and the Purchaser will not be obligated to see to the application of the purchase price.

3.06. Temporary Bonds. The City may elect to deliver in lieu of printed definitive Bonds one or more typewritten temporary Bonds in substantially the form set forth in Section 3 with such changes as may be necessary to reflect more than one maturity in a single temporary bond. Upon the execution and delivery of definitive Bonds the temporary Bonds will be exchanged therefor and cancelled.

3.07. Form of Bonds. The Bonds will be printed or typewritten in substantially the following form:

No. R-_____

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF ANOKA
CITY OF COON RAPIDS

\$_____

GENERAL OBLIGATION BOND
SERIES 2014A

| Rate | Maturity | Date of Original Issue | CUSIP |
|------|--------------------|---------------------------|-------|
| | February 1, 20____ | November 18, 2014 | |

Registered Owner: Cede & Co.

The City of Coon Rapids, Minnesota, a duly organized and existing municipal corporation in Anoka County, Minnesota (the "City"), acknowledges itself to be indebted and for value received hereby promises to pay to the registered owner specified above or registered assigns, the Principal Amount specified above on the Maturity Date specified above, with interest thereon from the date hereof at the annual rate specified above (calculated on the basis of a 360 day year of twelve 30 day months), payable February 1 and August 1 in each year, commencing August 1, 2015, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a business day) of the immediately preceding month. The interest hereon and, upon presentation and surrender hereof, the principal hereof are payable in lawful money of the United States of America by check or draft by City Finance Director, Coon Rapids, Minnesota, as Registrar, Authenticating Agent and Paying Agent, or its designated successor under the Resolution described herein. For the prompt and full payment of such principal and interest as the same respectively become due, the full faith and credit and taxing powers of the City have been and are hereby irrevocably pledged.

This Bond is one of an issue in the aggregate principal amount of \$9,720,000, all of like original date and tenor, except as to number, maturity date, and interest rate, issued pursuant to a resolution adopted by the City Council on October 21, 2014 (the "Resolution"), for the purpose of providing monies in part for various public improvements and various utility improvements and pursuant to and in full conformity with the Constitution, laws of the State of Minnesota, including Minnesota Statutes, Chapters 429, 444 and 475. The principal hereof and interest hereon are payable from special assessments against property specially benefited by local improvements, net revenues of the water and storm sewer systems and from ad valorem taxes, as set forth in the Resolution to which reference is made for a full statement of rights and powers thereby conferred. The full faith and credit of the City are irrevocably pledged for payment of this Bond and the City Council has obligated itself to levy additional ad valorem taxes on all taxable property in the City in the event of any deficiency in special assessments, net revenues and taxes pledged, which additional taxes may be levied without limitation as to rate or amount. The Bonds of this series are issued only as fully registered Bonds in denominations of \$5,000 or any integral multiple thereof of single maturities.

The City may elect on February 1, 2022, and on any date thereafter to prepay Bonds maturing on or after February 1, 2023. Redemption may be in whole or in part and if in part, at the option of the City and in such order as the City will determine. If less than all Bonds of a maturity are called for redemption, the City will notify The Depository Trust Company (“DTC”) of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant’s interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. Prepayments will be at a price of par plus accrued interest.

As provided in the Resolution and subject to certain limitations set forth therein, this Bond is transferable upon the books of the City at the principal office of the Bond Registrar, by the registered owner hereof in person or by the owner’s attorney duly authorized in writing upon surrender hereof together with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the registered owner or the owner’s attorney; and may also be surrendered in exchange for Bonds of other authorized denominations. Upon such transfer or exchange the City will cause a new Bond or Bonds to be issued in the name of the transferee or registered owner, of the same aggregate principal amount, bearing interest at the same rate and maturing on the same date, subject to reimbursement for any tax, fee or governmental change required to be paid with respect to such transfer or exchange.

The City and the Bond Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and neither the City nor the Bond Registrar will be affected by any notice to the contrary.

The City has designated the Bonds as “qualified tax-exempt obligations” pursuant to 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 and laws of the State of Minnesota to be done, to happen and to be performed preliminary 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, that prior to the issuance of this bond the City Council of the City has provided funds for the payment of principal and interest on the bonds of this issue as the same become due, but the full faith and credit of the City is pledged for their payment and additional taxes will be levied, if required for such purpose, without limitation as to the rate of amount; and that this bond, together with all other indebtedness of the City outstanding on the date of its issuance, does not exceed any constitutional or statutory limitation thereon.

This Bond is not valid or obligatory for any purpose or entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon will have been executed by the Bond Registrar by manual signature of one of its authorized representatives.

IN WITNESS WHEREOF, the City of Coon Rapids, Anoka County, Minnesota, by its City Council, has caused this Bond to be executed on its behalf by the facsimile or manual signatures of the Mayor and City Clerk and has caused this Bond to be dated as of the date set forth below.

Dated: October 21, 2014

CITY OF COON RAPIDS, MINNESOTA

City Clerk

Mayor

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds delivered pursuant to the Resolution mentioned within.

CITY OF COON RAPIDS, MINNESOTA

By _____
Finance Director

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

TEN COM -- as tenants
in common

UNIF GIFT MINN ACT _____ Custodian _____
(Cust) (Minor)

TEN ENT -- as tenants
by entireties

under Uniform Gift or Transfer to
Minors

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

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 all rights thereunder, and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration of the within Bond, with full power of substitution in the premise.

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:

NOTICE: Signature(s) must be guaranteed by a financial institution that is a member of the Securities Transfer Agent Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP"), the New York Stock Exchange, Inc. Medallion Signatures Program ("MSP") or other such "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, SEMP or MSP, all in accordance with the Securities Exchange Act of 1934, as amended.

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

Name and Address: _____

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

Please insert social security or
other identifying number of assignee

PROVISIONS AS TO REGISTRATION

The ownership of the principal of and interest on the within Bond has been registered on the books of the Registrar in the name of the person last noted below.

| <u>Date of Registration</u> | <u>Registered Owner</u> | <u>Signature of Registrar</u> |
|-----------------------------|--------------------------------------|-------------------------------|
| _____, 2014 | Cede & Co. Federal ID #13-2555119 | _____ |

3.08. Approving Legal Opinion. The City Clerk will obtain a copy of the proposed approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota, which will be complete except as to dating thereof and will cause the opinion to be printed on or accompany each Bond.

Section 4. Funds and Accounts; Security; Payment.

4.01. Debt Service Fund. The Bonds will be payable from the General Obligation Bonds, Series 2014A Debt Service Fund (the “Debt Service Fund”) hereby created. The Debt Service Fund shall 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 City will maintain the following accounts in the Debt Service Fund: the “Assessable Improvements Account” the “Utility Improvements Account.” Amounts in the Assessable Improvements Account are irrevocably pledged to the Improvement Bonds and amounts in the Utility Improvements Account are irrevocably pledged to the Utility Improvement Bonds.

(a) Assessable Improvements Account. The Finance Director shall timely deposit in the Assessable Improvements Account of the Debt Service Fund hereby created, general taxes hereafter levied (the “Taxes”) and the special assessments levied against the property specially benefited by the Improvements (the “Assessments”) and allocated to the payment of debt service on the Improvement Bonds, which are pledged to the Assessable Improvements Account. There is also appropriated to the Assessable Improvements Account a pro rata portion of any original issue premium and any rounding amount, to the extent designated for deposit in the Debt Service Fund in accordance with Section 2.03 hereof.

(b) Utility Improvements Account. The City will continue to maintain and operate its water and storm sewer utility fund or funds, to which will be credited all gross revenues of the water and storm sewer utility systems (the “Utility Systems”), and out of which will be paid all normal and reasonable expenses of current operations of such systems. Any balances therein are deemed net revenues (the “Net Revenues”) and will be transferred, from time to time, to the Utility Improvement Account of the Debt Service Fund, which Utility Improvements Account will be used only to pay principal of and interest on the Utility Improvement Bonds, and any other bonds similarly authorized. There will always be retained in the Utility Improvements Account a sufficient amount to pay principal of and interest on all of the Utility Improvement Bonds, and the Finance Director must report any current or anticipated deficiency in the Utility Improvements Account to the City Council. If a payment of principal or interest on the Utility Improvement Bonds becomes due when there is not sufficient money in the Utility Improvements Account in the Debt Service Fund to pay the same, the City Finance Director is directed to pay such principal or interest from the general fund of the City, and the general fund will be reimbursed for the advances out of the proceeds of net revenues of the Water and Storm Sewer Utility Fund and taxes when collected. There is also appropriated to the Utility Improvements Account a pro rata portion of any original issue premium and any rounding amount, to the extent designated for deposit in the Debt Service

Fund in accordance with Section 2.03 hereof and any collections of taxes hereafter levied for the payment of the Utility Improvement Bonds and interest thereon.

4.02. Construction Fund. The City hereby creates the General Obligation Bonds, Series 2014A Construction Fund (the “Construction 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 City will maintain the following accounts in the Construction Fund: the “Assessable Improvements Account” and the “Utility Improvements Account.” Amounts in the Assessable Improvements Account will be used to construct the Improvements and amounts in the Utility Improvements Account will be used to construct the Utility Improvements.

(a) Assessable Improvements Account. Proceeds of the Improvement Bonds, less the appropriations made in Section 4.01(a) hereof, together with any other funds appropriated for the Improvements and the Assessments and Taxes collected during the construction of the Assessable Improvements, will be deposited in the Assessable Improvements Account of the Construction Fund to be used solely to defray expenses of the Improvements and the payment of principal of and interest on the Improvement Bonds prior to the completion and payment of all costs of the Improvements. Any balance remaining in the Assessable Improvements Account after completion of the Improvements may be used to pay the cost in whole or in part of any other improvement instituted under the Improvement Act, under the direction of the City Council. When the Improvements are completed and the cost thereof paid, the Assessable Improvements Account of the Construction Fund is to be closed and any subsequent collections of Assessments for the Improvements are to be deposited in the Assessable Improvements Account of the Debt Service Fund.

(b) Utility Improvements Account. Proceeds of the Utility Improvements Bonds, less the appropriations made in Section 4.01(c) hereof, will be deposited in the Utility Improvements Account of the Construction Fund to be used solely to defray expenses of the Utility Improvements. When the Utility Improvements are completed and the cost thereof paid, the Utility Improvements Account of the Construction Fund is to be closed and any funds remaining may be deposited in the Utility Improvements Account of the Debt Service Fund.

4.03. Tax Levy.

(a) For the purpose of paying the principal of and interest on the Improvement Bonds, there is hereby levied a direct annual irrepealable ad valorem tax upon all of the taxable property in the City, which will be spread upon the tax rolls and collected with and as part of other general taxes of the City. Such tax will be credited to the Assessable Improvements Account of the Debt Service Fund above provided and will be in the years and amounts as follows (year stated being year of levy for collection the following year):

Year

Levy

(See Exhibit B)

The tax levy herein provided will be irrevocable until all of the Improvement Bonds are paid, provided that the City Clerk may annually, at the time the City makes its tax levies, certify to the County Auditor the amount available in the Assessable Improvements Account of the Debt Service Fund to pay principal and interest due during the ensuing year on the Improvement Bonds, and the County Auditor will thereupon reduce the levy collectible during such year by the amount so certified.

4.04. City Covenants with Respect to the Improvement Bonds. It is hereby determined that the Improvements will directly and indirectly benefit abutting property, and the City hereby covenants with the holders from time to time of the Bonds as follows:

(a) The City has caused or will cause the Assessments for the Improvements to be promptly levied so that the first installment will be collectible not later than 2015 and will take all steps necessary to assure prompt collection, and the levy of the Assessments is hereby authorized. The City Council will cause to be taken with due diligence all further actions that are required for the construction of each Improvement financed wholly or partly from the proceeds of the Bonds, and will take all further actions necessary for the final and valid levy of the Assessments and the appropriation of any other funds needed to pay the Improvement Bonds and interest thereon when due.

(b) In the event of any current or anticipated deficiency in Assessments and Taxes, the City Council will levy ad valorem taxes in the amount of the current or anticipated deficiency.

(c) The City will keep complete and accurate books and records showing: receipts and disbursements in connection with the Improvements, Assessments and Taxes levied therefor and other funds appropriated for their payment, collections thereof and disbursements therefrom, monies on hand and, the balance of unpaid Assessments.

(d) The City will cause its books and records to be audited at least annually and will furnish copies of such audit reports to any interested person upon request.

(e) At least 20% of the cost to the City of the Improvements described herein will be specially assessed against benefited properties.

4.05 City Covenants with Respect to the Utility Improvement Bonds. The City Council covenants and agrees with the holders of the Bonds that so long as any of the Utility Improvement Bonds remain outstanding and unpaid, it will keep and enforce the following covenants and agreements:

(a) The City will continue to maintain and efficiently operate the Utility Systems as public utilities and conveniences free from competition of other like municipal utilities and will cause all revenues therefrom to be deposited in bank accounts and credited to the accounts of the Utility Systems as hereinabove provided, and will make no expenditures from those accounts except for a duly authorized purpose and in accordance with this resolution.

(b) The City will also maintain the Debt Service Fund as a separate account in the Utility Improvements Account and will cause money to be credited thereto from time to time, out of net revenues from the Utility Systems in sums sufficient to pay principal of and interest on the Utility Improvements Bonds when due.

(c) The City will keep and maintain proper and adequate books of records and accounts separate from all other records of the City in which will be complete and correct entries as to all transactions relating to the Utility Systems and which will be open to inspection and copying by any bondholder, or the bondholder's agent or attorney, at any reasonable time, and it will furnish certified transcripts therefrom upon request and upon payment of a reasonable fee therefor, and said account will be audited at least annually by a qualified public accountant and statements of such audit and report will be furnished to all bondholders upon request.

(d) The City Council will cause persons handling revenues of the Utility Systems to be bonded in reasonable amounts for the protection of the City and the bondholders and will cause the funds collected on account of the operations of the Utility Systems to be deposited in a bank whose deposits are guaranteed under the Federal Deposit Insurance Law.

(e) The Council will keep the Utility Systems insured at all times against loss by fire, tornado and other risks customarily insured against with an insurer or insurers in good standing, in such amounts as are customary for like plants, to protect the holders, from time to time, of the Utility Improvement Bonds and the City from any loss due to any such casualty and will apply the proceeds of such insurance to make good any such loss.

(f) The City and each and all of its officers will punctually perform all duties with reference to the Utility Systems as required by law.

(g) The City will impose and collect charges of the nature authorized by Minnesota Statutes, Section 444.075 at the times and in the amounts required to produce net revenues adequate to pay all principal and interest when due on the Utility Improvement Bonds and to create and maintain such reserves securing said payments as may be provided in this resolution.

(h) The City Council will levy general ad valorem taxes on all taxable property in the City, when required to meet any deficiency in pledged net revenues.

(i) The City hereby determines that the estimated collection of net revenues herein pledged for the payment of principal and interest on the Utility Improvement Bonds will produce at least 5% in excess of the amount needed to meet, when due, the principal and interest payments on such portion of the Bonds.

4.06 Registration of Resolution. The City Clerk is directed to file a certified copy of this resolution with the Auditor of Anoka County and to obtain the certificate required by Section 475.63 of the Act.

4.07. Debt Service Coverage. It is hereby determined that the estimated collection of the foregoing Taxes and Assessments will produce at least 5% in excess of the amount needed to pay when due, the principal and interest payments on the Improvement Bonds and the Net Revenues herein pledged will produce at least 5% in excess of the amount needed to pay when due the principal and interest payments on the Utility Improvement Bonds.

4.08. 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 will be and are hereby irrevocably pledged. If the balance in the Debt Service Fund is ever insufficient to pay all principal and interest then due on the Bonds and any other bonds payable therefrom, the deficiency will be promptly paid out of monies in the general fund of the City which are available for such purpose, and such general fund may be reimbursed with or without interest from the Debt Service Fund when a sufficient balance is available therein.

Section 5. Authentication of Transcript.

5.01. City Proceedings and Records. The officers of the City are hereby authorized and directed to prepare and furnish to the Purchaser and to the attorneys approving the bonds, certified copies of proceedings and records of the City relating to the bonds and to the financial condition and affairs of the City, and such other certificates, affidavits and transcripts as may be required to show the facts within their knowledge or as shown by the books and records in their custody and under their control, relating to the validity and marketability of the Bonds and such instruments, including any heretofore furnished, will be deemed representations of the City as to the facts stated therein.

5.02. Certification as to Official Statement. The Mayor, City Clerk and Finance Director are hereby authorized and directed to certify that they have examined the Official Statement, prepared and circulated in connection with the issuance and sale of the Bonds and that to the best of their knowledge and belief the Official Statement is, as of the date thereof, a complete and accurate representation of the facts and representations made therein as it relates to the City.

Section 6. Tax Covenant.

6.01 Tax-Exempt Bonds. The City covenants and agrees with the holders from time to time of the Bonds that it will not take or permit to be taken by any of its officers, employees, or agents any action which would cause the interest on the Bonds to become subject to taxation

under the Internal Revenue Code of 1986, as amended (the “Code”), and the Treasury Regulations promulgated thereunder, in effect at the time of such actions, and that it will take or cause its officers, employees or agents to take, all affirmative action within its power that may be necessary to ensure that such interest will not become subject to taxation under the Code and applicable Treasury Regulations, as presently existing or as hereafter amended and made applicable to the Bonds. To that end, the City will comply with all requirements necessary under the Code to establish and maintain the exclusion from gross income of the interest on the Bonds under Section 103 of the Code, including without limitation requirements relating to temporary periods for investments, limitations on amounts invested at a yield greater than the yield on the Bonds.

6.02. Rebate. The City will comply with requirements necessary under the Code to establish and maintain the exclusion from gross income of the interest on the Bond under Section 103 of the Code, including without limitation requirements relating to temporary periods for investments, limitations on amounts invested at a yield greater than the yield on the Bonds, and the rebate of excess investment earnings to the United States.

6.03. Not Private Activity Bonds. The City further covenants not to use the proceeds of the bonds or to cause or permit them or any of them to be used, in such a manner as to cause the Bonds to be “private activity bonds” within the meaning of Sections 103 and 141 through 150 of the Code.

6.04. Qualified Tax-Exempt Obligations. In order to qualify the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code, the City makes the following factual statements and representations:

(a) the Bonds are not “private activity bonds” as defined in Section 141 of the Code;

(b) the City hereby designates the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code;

(c) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds, that are not qualified 501(c)(3) bonds) which will be issued by the City (and all subordinate entities of the City) during calendar year 2014 will not exceed \$10,000,000; and

(d) not more than \$10,000,000 of obligations issued by the City during calendar year 2014 have been designated for purposes of Section 265(b)(3) of the Code.

6.05. Procedural Requirements. The City will use its best efforts to comply with any federal procedural requirements which may apply in order to effectuate the designations made by this section.

Section 7. Book-Entry System; Limited Obligation of City.

7.01. DTC. The Bonds will be initially issued in the form of a separate single typewritten or printed fully registered Bond for each of the maturities set forth in Section 1.03 hereof. Upon initial issuance, the ownership of each Bond will be registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, and its successors and assigns (DTC). Except as provided in this section, all of the outstanding Bonds will be registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as nominee of DTC.

7.02. Participants. With respect to Bonds registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as nominee of DTC, the City, the Bond Registrar and the Paying Agent will have no responsibility or obligation to any broker dealers, banks and other financial institutions from time to time for which DTC holds Bonds as securities depository (Participants) or to any other person on behalf of which a Participant holds an interest in the Bonds, including but not limited to any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person (other than a registered owner of Bonds, as shown by the registration books kept by the Bond Registrar,) of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than a registered owner of Bonds, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The City, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered in the registration books kept by the Bond Registrar as the holder and absolute owner of such Bond for the purpose of payment of principal, premium and interest with respect to such Bond, for the purpose of registering transfers with respect to such Bonds, and for all other purposes. The Paying Agent will pay all principal of, premium, if any, and interest on the Bonds only to or on the order of the respective registered owners, as shown in the registration books kept by the Bond Registrar, and all such payments will be valid and effectual to fully satisfy and discharge the City's obligations with respect to payment of principal of, premium, if any, or interest on the Bonds to the extent of the sum or sums so paid. No person other than a registered owner of Bonds, as shown in the registration books kept by the Bond Registrar, will receive a certificated Bond evidencing the obligation of this resolution. Upon delivery by DTC to the City Clerk of a written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the words "Cede & Co.," will refer to such new nominee of DTC; and upon receipt of such a notice, the City Clerk will promptly deliver a copy of the same to the Bond Registrar and Paying Agent.

7.03. Representation Letter. The City has heretofore executed and delivered to DTC a Blanket Issuer Letter of Representations (Representation Letter) which shall govern payment of principal of, premium, if any, and interest on the Bonds and notices with respect to the Bonds. Any Paying Agent or Bond Registrar subsequently appointed by the City with respect to the Bonds will agree to take all action necessary for all representations of the City in the Representation letter with respect to the Bond Registrar and Paying Agent, respectively, to be complied with at all times.

7.04. Transfers Outside Book-Entry System. In the event the City, by resolution of the City Council, determines that it is in the best interests of the persons having beneficial interests in the Bonds that they be able to obtain Bond certificates, the City will notify DTC, whereupon DTC will notify the Participants, of the availability through DTC of Bond certificates. In such event the City will issue, transfer and exchange Bond certificates as requested by DTC and any other registered owners in accordance with the provisions of this Resolution. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. In such event, if no successor securities depository is appointed, the City will issue and the Bond Registrar will authenticate Bond certificates in accordance with this resolution and the provisions hereof will apply to the transfer, exchange and method of payment thereof.

7.05. Payments to Cede & Co. Notwithstanding any other provision of this Resolution to the contrary, so long as a Bond is registered in the name of Cede & Co., as nominee of DTC, payments with respect to principal of, premium, if any, and interest on the Bond and all notices with respect to the Bond will be made and given, respectively in the manner provided in DTC's Operational Arrangements, as set forth in the Representation Letter.

Section 8. Continuing Disclosure.

8.01. City Compliance with Provisions of Continuing Disclosure Certificate. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Resolution, failure of the City to comply with the Continuing Disclosure Certificate is not to be considered an event of default with respect to the Bonds; however, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this section.

8.02. Execution of Continuing Disclosure Certificate. "Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate executed by the Mayor and City Clerk and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

Section 9. Defeasance. When all Bonds (or all of either the Improvement Bonds or Utility Improvement Bonds portion thereof) have been discharged as provided in this section, all pledges, covenants and other rights granted by this resolution (with respect to the Improvement Bonds or Utility Improvement Bonds portion of the Bonds, as the case may be) to holders of the Bonds will cease, except that the pledge of the full faith and credit of the City for the prompt and full payment of the principal of and interest on the Bonds will remain in full force and effect. The City may discharge all Bonds (or all of either the Improvement Bonds or Utility Improvement Bonds portion thereof) which are due on any date by depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full. If any Bond should not be paid when due, it may nevertheless be discharged by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit.

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

and the following voted against the same:

whereupon said resolution was declared duly passed and adopted.

STATE OF MINNESOTA)
)
COUNTY OF ANOKA) SS.
)
CITY OF COON RAPIDS)

I, the undersigned, being the duly qualified and acting City Clerk of the City of Coon Rapids, Minnesota, do hereby certify that I have carefully compared the attached and foregoing extract of minutes of a regular meeting of the City Council held on Tuesday, October 21, 2014, with the original thereof on file in my office and I further certify that the same is a full, true and complete transcript therefrom insofar as the same relates to the issuance and sale of the City's \$9,720,000 General Obligation Bonds, Series 2014A.

WITNESS My hand as City Clerk and the corporate seal of the City this _____ day of _____, 2014.

City Clerk
City of Coon Rapids, Minnesota

EXHIBIT A

IMPROVEMENT BONDS TAX LEVY

| <u>Collection Year</u> | <u>Levy Amount</u> |
|-------------------------------|---------------------------|
| 2015 | |
| 2016 | |
| 2017 | |
| 2018 | |
| 2019 | |
| 2020 | |
| 2021 | |
| 2022 | |
| 2023 | |
| 2024 | |

STATE OF MINNESOTA

COUNTY OF ANOKA

COUNTY AUDITOR'S
CERTIFICATE AS TO
TAX LEVY AND
REGISTRATION

I, the undersigned County Auditor of Anoka County, Minnesota, hereby certify that a certified copy of a resolution adopted by the governing body of the City of Coon Rapids, Minnesota, on October 21, 2014, levying taxes for the payment of \$9,720,000 General Obligation Bonds, Series 2014A, of said municipality dated November 18, 2014, has been filed in my office and said bonds have been entered on the register of obligations in my office and that such tax has been levied as required by law.

WITNESS My hand and official seal this _____ day of _____, 2014.

By _____
County Auditor
Anoka County, Minnesota

(SEAL)

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns Aa1 Coon Rapids, MN's \$9.7M GO Bonds, Ser. 2014A

Global Credit Research - 16 Oct 2014

Aa1 applies to \$33.8M post-sale GOULT debt

COON RAPIDS (CITY OF) MN
Cities (including Towns, Villages and Townships)
MN

Moody's Rating

| ISSUE | RATING |
|--|--------------------|
| General Obligation Bonds, Series 2014A | Aa1 |
| Sale Amount | \$9,720,000 |
| Expected Sale Date | 10/21/14 |
| Rating Description | General Obligation |

Moody's Outlook NOO

Opinion

NEW YORK, October 16, 2014 --Moody's Investors Service has assigned a Aa1 rating to the City of Coon Rapids' (MN) \$9.7 million General Obligation (GO) Bonds, Series 2014A. Debt service on this series and all the city's GO debt is ultimately secured by the city's GO unlimited tax (GOULT) pledge, which benefits from a dedicated property tax levy unlimited by rate or amount. Concurrently, we maintain the Aa1 on the city's outstanding GO debt and Aa3 rating on outstanding lease revenue debt. Proceeds from the Series 2014A bonds will finance street and other infrastructure improvements throughout the city. Post-sale, the city will have \$33.8 million of GO debt and \$13.4 million of lease revenue debt outstanding.

SUMMARY RATING RATIONALE

The Aa1 rating reflects the city's mature residential tax base that benefits from its favorable location near the Twin Cities metro area; strong financial operations with ample liquidity, and affordable debt levels.

The Aa3 lease revenue rating applies to the city's 2010B lease revenue bonds. The bonds are backed by an appropriation pledge of the city and secured by a leasehold interest on the city's ice arena. The rating reflects the appropriation risk and the non-essentiality of the project and pledged asset.

STRENGTHS

- Demonstrated history of stable financial operations, compliant with formal policy to maintain 45% in reserves
- Ample alternate liquidity available

CHALLENGES

- Recently declining valuations
- Mature community with limited space for future development

DETAILED CREDIT DISCUSSION

MATURE TAX BASE IN NORTHERN TWIN CITIES METRO AREA

The city's moderately sized \$4.0 billion tax base is expected to stabilize due to its beneficial location and recent acceleration in local permit activity. Located 16 miles northwest of Minneapolis/St. Paul (both rated Aa1 stable) in Anoka County (Aa1), the city's estimated full market valuation has declined at an average annual rate of 6.1% over the past five years. Officials attribute this to the softening of the residential market as well as depreciation in overall property values. Valuations were essentially flat in 2014, the first time in recent years that did not see further declines. Recent data reflects a 9% year over year improvement in residential valuations which encompass approximately 50% of the city. The city has also seen significant growth in building permit activity, which grew from \$70 million in 2012 to \$120 million in 2013 and is \$138 million through September 2014. The permit activity is partially driven by new housing starts but predominantly driven by remodeling and reconstruction.

Officials report that the city's commercial/retail and medical sectors are strong. The city's largest taxpayers are comprised of the Riverdale commercial shopping centers that are anchored by various big box retailers, and together comprised 5.9% of assessed valuation. The city's largest employer is Mercy Hospital with 2,200 employees. The hospital recently invested \$18 million in a 125,000 square foot medical office facility near its campus which has reportedly reached 100% occupancy. The hospital is also planning a separate 32,000 square foot facility nearby. Officials report various ancillary medical and health care related businesses are expanding and developing in the city as well. The city's population more than doubled between 1970 and 2000, reaching 61,607 in 2000. However, this growth has moderated in the last decade as the city approaches full development; the 2010 census indicates the city lost a modest 0.2% of its population from 2000. City residents enjoy access to the greater Metropolitan area for employment in addition to its local employment base. The city's unemployment rate in July 2014 was 4.49%, just above the state's rate of 4.3%, but well below the nation's rate of 6.5% for the same time period. The city's wealth indices are above average, with median family income at 115% of the nation, according to the 2008 to 2012 American Community Survey estimated average.

STABLE FINANCIAL OPERATIONS WITH HEALTHY RESERVES AND AMPLE ALTERNATE LIQUIDITY; HEALTHY ENTERPRISE OPERATIONS

The city's financial operations are expected to remain stable due to conservative management, healthy reserve levels supported by ample alternate liquidity, and sound enterprise operations. The city has a long trend of generating annual General Fund operating surpluses. The city regularly transfers out excess operating surpluses to various capital funds while simultaneously maintaining a General Fund balance according to its policy of maintaining 45% of the following year's operating expenditures in reserves. Most recently, in fiscal 2013, the city closed the year with a \$1.5 million operating surplus and transferred out \$900,000 to other funds, ending with a General Fund balance of \$13 million, or a healthy 48.7% of revenues. The city passed a balanced budget for fiscal 2014 and year to date results point to actual results being in line with the budget. The city's General Fund operating revenues are relatively diverse, with the majority comprised of property taxes at 67.6% of fiscal 2013 revenues.

The city's General Fund is supported by ample alternate liquidity in the Revolving Construction and Facilities Construction Funds. Reserves in both funds have accumulated over the years, funded from surpluses generated in the General Fund. In 2011 the city utilized \$5.3 million of reserves in the Facilities Construction Fund to partially fund the construction of a new Golf Course club house. The city typically uses reserves in the two funds to temporarily provide cash to other funds and to finance one-time capital projects. Reserves in the aforementioned funds are also available for operations should it be necessary. Officials have no plans to spend down alternate reserves in the near-term and expect 2014 balances in the Revolving Construction Fund to be approximately \$9.2 million.

The city operates various enterprises including water, sewer, storm sewer, and a golf course. The city's enterprise funds continue to remain self-sufficient and had a combined unrestricted cash and investments balance of \$11.7 million at the close of fiscal 2013. The city also owns an ice arena, and operations of the arena are accounted for in the General Fund budget. Ice arena operations will continue to remain a part of General Fund operations as ice arena operations are not self supporting. While ice arena operations are not self supporting, we recognize they comprise a minimal part of General Fund operations. While we note that ice arena operations are not self supporting, debt service for ice arena construction and improvements will be paid by an unlimited special property tax levy dedicated for recreational purposes.

DEBT LEVELS TO REMAIN AFFORDABLE DESPITE SOME FUTURE BORROWING PLANNED

We believe the city's debt levels will remain manageable despite future borrowing given the city's currently low fixed costs. The city's direct debt burden is low at 0.9% of full value and 1.1 times 2013 operating revenues. Debt service expenditures comprised a manageable 8.8% of operating expenditures in fiscal 2013. Principal amortization is average, with 73.5% of all debt retired within ten years. The city regularly issues every other year

for street reconstruction projects and plans to continue this practice. In addition to its street reconstruction program, the city received approval for approximately \$17.5 million in bonds for park improvements. The city anticipates issuing debt related to the referendum in 2015. All of Coon Rapids' outstanding debt is fixed rate, and the city is not a party to any interest rate swap agreements.

ABOVE AVERAGE BUT MANAGEABLE PENSION EXPOSURE

The city has a manageable employee pension burden, based on unfunded liabilities for its share of two multiple-employer plans administered by the state and its single employer plan. Moody's has allocated liabilities of state cost-sharing plans in proportion to its contributions to each plan for analytic purposes. The city participates in the statewide General Employees Retirement Fund (GERF) and Public Employees Police and Fire Fund (PEPFF). The city's annual contribution to the retirement systems in fiscal 2013 was \$1.8 million, equal to a manageable 5.8% of operating revenues.

Moody's three year adjusted combined net pension liability (ANPL) for the city through fiscal 2013 related to GERF, PEPFF, under our methodology for adjusting reported pension data, is \$71.9 million, or an above average 2.3 times operating revenues and 1.8% of full value. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the district's reported liability information, but to improve comparability with other rated entities.

WHAT COULD CHANGE THE RATING - UP

- Sustained growth of the economy and tax base
- Improvement in resident income indices

WHAT COULD CHANGE THE RATING - DOWN

- Multi-year valuation declines
- Material growth in debt burden

KEY STATISTICS

2014 Full value: \$4.0 billion

2014 Estimated full value per capita: \$63,426

2008-2012 Median family income (as a % of US): 115%

Fiscal 2013 Available Operating Fund Balance: 42.5% of revenues

Fiscal 2008 to Fiscal 2013 Change in Available Operating Fund Balance as a % of revenues: 4.8%

Fiscal 2013 Operating Fund Cash Balance: 44.3% of revenues

Fiscal 2008 to Fiscal 2013 Change in Operating Fund Cash Balance as a % of revenues: 4.4%

Fiscal 2008 to Fiscal 2013 Average Operating Revenues / Operating Expenditures: 1.02 times

Institutional Framework: Aa

Net Direct Debt / Full Value: 0.9%

Net Direct Debt / Operating Revenues: 1.1 times

3-year average of Moody's ANPL / Full Value: 1.8%

3-year average of Moody's ANPL / Operating Revenues: 2.3 times

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt 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 rating action on the support provider and in relation to each particular 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 ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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MOODY'S
INVESTORS SERVICE

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