

Pursuant to the due call and notice thereof, a regular meeting of the North Mankato City Council was held in the Municipal Building Council Chambers on March 6, 2023. Mayor Carlson called the meeting to order at 7:05 pm, asking everyone to join the Pledge of Allegiance. The following were present for roll call: Council Members Peterson, Whitlock, Steiner, Oachs, City Administrator McCann, Finance Director Ryan, Community Development Director Fischer, Public Works Director Arnold, and City Clerk Van Genderen.

Approval of Agenda

Council Member Whitlock moved, seconded by Council Member Steiner, to approve the agenda as presented. Vote on the motion Peterson, Whitlock, Steiner, Oachs, and Carlson, aye, no nays. Motion carried.

Approval of Council Minutes from February 21, 2023, Council Meeting.

Council Member Peterson moved, seconded by Council Member Oachs, to approve the Council Meeting Minutes of February 21, 2023. Vote on the motion Peterson, Whitlock, Steiner, Oachs, and Carlson, aye, no nays. Motion carried.

Approval of Council Work Session Minutes from February 21, 2023, Council Work Session.

Council Member Whitlock moved, seconded by Council Member Oachs, to approve the Council Work Session Minutes of February 21, 2023. Vote on the motion Peterson, Whitlock, Steiner, Oachs, and Carlson, aye, no nays. Motion carried.

Consent Agenda

Council Member Whitlock moved, seconded by Council Member Oachs, to approve the Consent Agenda.

- A. Bills and Appropriations.
- B. Res. No. 18-23 Declaring Surplus Vehicles and Equipment.
- C. Approved Audio Permit for Party on the Prairie on October 7, 2023, from noon to 6 pm at Benson Park.
- D. Approved Audio Permit for Bier on Belgrade on September 23, 2023, from 2 pm to 10 pm on the 200 Block of Belgrade Avenue.
- E. Approved an Audio Permit for Art Splash on June 17, 2023, from 11 am to 3 pm at 1920 Lee Boulevard.
- F. Approved Audio Permit for Blues on Belgrade on July 29th from noon to 11 pm on the 200 Block of Belgrade Avenue.
- G. Approved Audio Permit for Movies in the Park on August 11, 2023, from 8 pm to 11 pm at Benson Park.
- H. Approved Audio Permit for Movies in the Park on June 16, 2023, from 8 pm to 11 pm at Spring Lake Park.
- I. Approved Parade Permit for Bookin' on Belgrade on May 20, 2023, from 9 am to 10:30 am.
- J. Approved a Parade Permit for Bells on Belgrade on December 2, 2023, from 6 pm to 7 pm.
- K. Approved Audio Permit for Music in the Park on July 13, 20, 27, September 7, 14, 21, and 28, 2023, at Wheeler Park.

Vote on the motion Peterson, Whitlock, Steiner, Oachs, and Carlson, aye, no nays. Motion carried.

Public Comments Concerning Business Items on the Agenda.

Katie Heintz, Culture, Recreation, and Quality of Life Director, appeared before Council and announced the 2023 Community Read Book. The book is the *Mighty Fitz* by Michael Schumacher. She stated that each Council Member received a copy, and events would be held for discussion of the book.

Barb Church, 102 Wheeler, stated she had sent Community Development Director Fischer several questions and wanted to make sure he would answer those questions.

Business Items**Res. No. 19-23 Regarding the Support of a Job Creation Fund Application in Connection with Gordini USA, Inc.**

Community Development Director Fischer reported the resolution is similar to one that was passed on February 6, 2023. He reported the State requested additional information be included in the resolution.

Council Member Steiner moved, seconded by Council Member Oachs, to adopt Res. No. 19-23 Regarding the Support of a Job Creation Fund Application in Connection with Gordini USA, Inc. Vote on the motion Peterson, Whitlock, Steiner, Oachs, and Carlson, aye, no nays. Motion carried.

Res. No. 20-23 Approving the Sale of Real Estate.

Community Development Director Fischer reported that the City purchased 850 Nicollet Avenue in 2017 with the intention of possibly utilizing the property for the expansion of Water Plant #1 if it became necessary. Later discussions with engineers and the water department determined that if an expansion were needed, Water Plant #2 would be expanded or an additional plant built on top of the hill as water will always run downhill. The City purchased the house for \$114,900, and as the property stood vacant the house was not properly winterized, so there is some damage to the house, and the furnace and AC do not work. The City has entertained several offers, but those have fallen through. T & S Properties is interested in purchasing the property for \$125,000, and with the realtor commission that will need to be paid, the City will still net more than the City paid for it in 2017. City Administrator McCann reported that the City considered renting it, but there were no rental licenses available on the block. Mayor Carlson stated that the agreement requires the installation of a garage within 1-year of closing on the sale. Council Member Steiner requested information on the intent of the purchaser. Community Development Director Fischer reported that the purchaser has not made his intentions known. Jolinda Grabionowski, who worked as the realtor, appeared before Council and stated that T & S Properties is managed by Dan Theilges, who intends to improve the property and build the garage. The City will also cut down the trees at the back of the property, and the purchaser will remove the brush and trees.

Council Member Steiner moved, seconded by Council Member Oachs, to Adopt Res. No. 20-23 Approving the Sale of Real Estate. Vote on the motion Peterson, Whitlock, Steiner, Oachs, and Carlson, aye, no nays. Motion carried.

Approve the All Seasons Arena Water Heater Replacement.

City Administrator McCann reported that a water heater in the All Seasons Arena was leaking. The unit is failing and in need of replacement. The unit was installed in 1988. All Seasons Arena obtained quotes from Javens Mechanical Contracting Co. There were two quotes, and they recommended Option 2, which would replace the system with an on-demand unit that would require

modifications to the exhaust piping and water supply. Without electrical, the estimated cost is \$27,594.00; the electrical quote for option 2 is \$10,000. All Seasons believes there will be an operational cost saving in utility expenses with the on-demand system. The All Seasons Arena Board approved the quote at the March 3, 2023, Board Meeting and is requesting governing bodies' approval.

Council Member Steiner moved, seconded by Council Member Peterson to Approve the All Seasons Arena Water Heater Replacement. Vote on the motion Peterson, Whitlock, Steiner, Oachs, and Carlson, aye, no nays. Motion carried.

Receive the North Mankato National Community Survey (NCS) Results for 2022.

City Planner Lassonde reported North Mankato last completed a survey in 2017, and the City was interested in updating the NCS with the new administration and the North Mankato Strategic Plan Update. The purpose of the survey is to capture residents' opinions on ten central facets of community livability. Those facets include safety, mobility, community design, inclusivity and engagement, health and wellness, economy, utilities, parks and recreation, natural environment, education, arts, and culture. The survey was active from October 24, 2022, to December 9, 2022, and consisted of 2,800 randomly selected households receiving mailing, with 554 residents responding for a 21% response rate. The North Mankato survey data was compared to survey data from over 600 communities whose residents evaluated similar topics. Key findings include the fact that North Mankato residents enjoy a high quality of life and a strong sense of safety. The community design of North Mankato, including the use of the natural environment, is a key feature and asset residents appreciate. Finally, North Mankato's economy is a strong community feature, but residents show concern about their own economic outlook.

City Planner Lassonde noted that when balancing performance and importance, one item with higher importance and lower quality was utilities, of which the city only controls the Water and Sewer system. In comparison to other cities, the residents of North Mankato stated that overall quality was higher, including quality of life, overall economic health, mobility, community design, safety, and parks and recreation. Items that were ranked similarly included public information services, customer service by North Mankato employees, utilities, natural environment, health and wellness, education, arts and culture, and inclusivity and engagement.

The information will inform the development of the Strategic Plan and Community Development efforts in the near future. The findings should be reviewed when planning, budgeting, and evaluating the future performance of the City. City Administrator McCann stated that room to grow includes economic health, inclusivity, and arts. The City can review and provide guidance to the City staff, and the departments will implement the changes at the departmental level to help move the City forward as directed by the City Council.

Open Forum

Barb Church 102 Wheeler Avenue, appeared before Council and stated she believed she deserved an apology from a Council Member.

Tom Hagen, 927 Lake Street, appeared before Council and stated he believed he deserved an apology from a Council Member.

Lucy Lowry, 2263 Northridge Drive, appeared before Council and stated she believed she deserved an apology from a Council Member. She also stated she saw 14 deer in her yard. She also requested additional education for the public to keep their dogs and cats inside and not allow them to wander.

City Administrator and Staff Comments

City Administrator McCann reported that the City is working on several studies that have been requested, and those will be forthcoming. He indicated that the police would also receive notice to watch for animals outside.

City Administrator McCann stated that the concerns about the City Council Members should be addressed by the City Council, and they could refer the issue to the personnel committee.

City Administrator McCann reported that the City swore in a new Patrol Officer, Jesse Gunderson, on March 3, 2023.

City Administrator McCann reported that seasonal positions are open and encouraged individuals to apply online.

City Administrator McCann invited residents to review the Culture and Recreation offerings as there were lifeguarding certification classes coming along with CPR and babysitter classes.

City Administrator McCann welcomed Plaza Jalisco and Winton & Company to the City.

City Administrator McCann reported staff, Council Member Whitlock, and himself would be attending the League of Minnesota Day at the Capital on March 9, 2023.

Mayor and Council Comments

Council Member Peterson encouraged residents to come out and attend the Council Meetings and to speak.

Council Member Steiner encouraged residents to come out and attend Council Meetings and to speak.

Mayor Carlson requested residents to be aware of pedestrians as the weather warmed up and more people were out and about.

At 7:52 pm, on a motion by Council Member Steiner, seconded by Council Member Oachs, the Council Meeting was adjourned.

Mayor

City Clerk

COUNCIL WORK SESSION March 6, 2023

Under due call and notice thereof, a Council Work Session of the North Mankato City Council was held in the Council Chambers on March 6, 2023. Mayor Carlson called the meeting to order at 6:00 pm. The following were present for roll call: Council Members Peterson, Whitlock, Steiner, Oachs, City Administrator McCann, Finance Director Ryan, Public Works Director Arnold, and City Clerk Van Genderen.

Receive Region Nine Development Commission Update

City Administrator McCann introduced Nicole Griensewic, Executive Director, and Kristian Braekkan, Ph.D, Economic Development Director, to the dais to provide background information on Region Nine and review regional trends in economic development.

Executive Director Nicole Griensewic appeared before Council and stated that in 1969 the Minnesota Legislature's Regional Development Act authorized the creation of regional economic development commissions. In 1972 local elected officials organized the Region Nine Development Commission. The commission includes elected officials representing nine counties, 72 cities, 147 townships, 33 school districts, the Minnesota Valley Council of Governments, and public interest groups, including Health & Human Welfare, Minority Populations, and Youth Commissioners. Executive Director Griensewic reported that residents' property taxes includes a levy for the commission. Total levy funds are \$688,000, which are used to match federal and state grants. She reported that the commission can connect cities, counties, and townships with funding for specific projects with regional impact. RNDC also operates several Revolving Loan Funds (RLF), which can be used as gap financing to help businesses meet capital goals where they may not otherwise be able to. The primary purpose of the RLF is to create jobs within the nine-county area. Executive Director Griensewic reported that RNDC also participated in a delegation exchange with the German state of North Rhine-Westphalia. The partnership aims to share best practices, successes, and challenges surrounding clean energy for rural communities.

Economic Development Director Kristian Braekken appeared before Council and showed the integration of the local and regional economies. He stated that households are drivers and outcomes of prosperity, and the region is seeing socio-economic and demographic changes. The available industries are drivers of prosperity. Economic Development Director Braekken reviewed a map of the Region Nine Census Tracts. The color-coded map showed distressed areas and areas above the regional average. Several distressed tracts were noted in the region. Nicollet County was above average and not in economic distress. He suggested that innovation and economic variability help to create a strong and competitive region. Innovation provides more niches to compete in international markets, creates new solutions, and adds value to existing activities and opportunities to move up in the value chain. He reviewed the strengths and weaknesses of the region. Strengths included general economic well-being and human capital. Weaknesses included the business profile, which needed more foreign investment and attractiveness. Another area for improvement is employment productivity due to a lack of diversity in the region. Business dynamics is also a weakness with a lack of new businesses. Overall he stated that the region is an innovative and resilient regional economy.

Council Member Whitlock requested clarification on why the medical field was not included. Economic Development Director Braekken reported that the report only pulled for regional clusters of products sold elsewhere.

COUNCIL WORK SESSION March 6, 2023

North Mankato Police Department Annual Report

Police Chief Ross Gullickson appeared before Council to review the 2022 Police Annual Report. He noted that criminal offenses in Group A offenses decreased slightly from 2021-2022. It went from 454 reported in 2021 down to 440 reported in 2022. Group A offenses are the more serious criminal offenses, including assault, burglary, theft, etc. Group B offenses increased slightly from 44 in 2021 to 56 in 2022. He noted that the department made 26 DUI arrests in 2022. Police Chief Gullickson reported that the department made over 1,000 more traffic stops in 2022 compared to 2021. The Police Department had the goal of increasing visibility and address resident complaints.

Police Chief Gullickson reported that North Mankato remains a safe City with a low crime rate with a 3.1% chance of being a victim of a crime. He noted that the numbers in the reports may not match exactly due to some cases still being open.

Police Chief Gullickson reported that the North Mankato Police Department is committed to being transparent in all aspects of police service, including incidents where officers use force in performing their duties. In 2022, the department had 9,063 calls for service, with 35 incidents presenting a level of resistance requiring the use of force. These incidents represent 0.386% of the department's calls for service. He noted there had been an increase in assaults on police officers. Police Chief Gullickson stated that the report includes both racial demographics and the use of force. He thanked the Council for their support.

Council Member Whitlock noted the staffing increase to 16 officers, with one more coming on board in the next few months.

North Mankato Fire Department Report

Fire Chief Jim Zwaschka appeared before Council to review the 2022 Fire Department Report. He noted that the current volunteer fire department has 30 members with five probationary firefighters. The department's mission is to "protect the lives and property of the community through dedication to training, public education, and emergency preparedness." The department addresses that mission by engaging in public education. He noted that fire calls have decreased, indicating that the education program efforts are paying off.

Fire Chief Zwaschka reported that the department fielded 140 calls, with 35 calls involving fire, 33 involving gas leaks, and 49 false alarm calls. Areas of most significant risks for the City of North Mankato are cooking, the aging population, and economic stressors, which sometimes lead to hoarding.

Fire Chief Zwaschka reviewed the current apparatus and support vehicles and looked at proposed replacement dates for those items. In 2023 the department will be purchasing a support van to replace one that is 32 years old. The next device scheduled for replacement is a pumper truck that is 26 years old, with an anticipated replacement in 2025. He also noted that the department is working on replacing radios which costs \$15,000 for three radios. Fire Chief Zwaschka reported he has applied for an AFG Grant for \$186,000 to replace the current radios. The City is also working with Nicollet County on a County-wide grant for thermal imaging and accountability.

Fire Chief Zwaschka reported that the staff continues annual training with 1317.50 hours in 2022. The Minnesota Board of Fire Training and Education reimburses the City \$200 per firefighter to a maximum of \$9,900.

Fire Chief Zwaschka stated that the department's strengths include a well-trained staff, the ability to train and support members, strong community support, and mutual aid support.

COUNCIL WORK SESSION March 6, 2023

Future issues include the recruitment of new firefighters, the cost to maintain and update equipment, the accumulating cost of replacement and maintenance, training requirements, and the ability of the department to support members.

Fire Chief Zwaschka reported that 2022 goals included adding new staff members, improving truck technology, and increasing the firefighter's hourly wage to match the local job market.

Continue Water Meter Discussion

Due to a lack of time, the discussion was postponed.

Council Member Oach moved, seconded by Council Member Peterson, to adjourn the Council Work Session at 7:04 pm.

Mayor

City Clerk

AFFIDAVIT OF PUBLICATION

State of Minnesota, ss.
County of Blue Earth

Steve Jameson, being duly sworn, on oath states as follows:

1. I am the publisher of The Free Press, or the publisher's designated agent. I have personal knowledge of the facts stated in this Affidavit, which is made pursuant to Minnesota Statutes §331A.07.
2. The newspaper has complied with all of the requirements to constitute a qualified newspaper under Minnesota law, including those requirements found in Minnesota Statutes §331A.02.

3. The dates of the month and the year and day of the week upon which the public notice attached/copied below was published in the newspaper are as follows:

The printed notice which is attached was cut from the columns of said newspaper, and was printed and published once each week, for 1 successive weeks; it was first published on Saturday, the 4 day of March, 2023, and was thereafter printed and published on every Saturday to and including Saturday, the 4 day of March, 2023; and printed below is a copy of the lower case alphabet from A to Z, both inclusive, which is hereby acknowledged as being the size and kind of type used in the composition and publication of the notice:

abcdefghijklmnopqrstuvwxyz

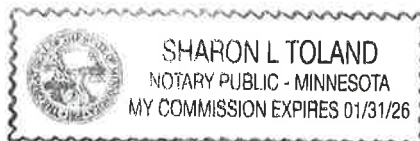
4. The Publisher's lowest classified rate paid by commercial users for comparable space, as determined pursuant to § 331A.06, is as follows: \$217.69.
5. Pursuant to Minnesota Statutes §580.033 relating to the publication of mortgage foreclosure notice: The newspaper's known office is located in Blue Earth County. The newspaper complies with the conditions described in §580.033, subd. 1, clause (1) or (2). If the newspaper's known office of issue is located in a county adjoining the county where the mortgaged premises or some part of the mortgaged premises described in the notice are located, a substantial portion of the newspaper's circulation is in the latter county.

FURTHER YOUR AFFIANT SAITH NOT.

By: Steve Jameson
Steve Jameson, Publisher

Subscribed and sworn to before me on this 4 day of March, 2023.

Sharon L Toland
Notary Public



Public Hearing

March 4, 2023

**CITY OF NORTH MANKATO
COUNTIES OF NICOLLET AND BLUE EARTH
STATE OF MINNESOTA
NOTICE OF PUBLIC HEARING**

NOTICE IS HEREBY GIVEN that the City Council (the "Council") of the City of North Mankato, Nicollet and Blue Earth Counties, Minnesota, will hold a public hearing on Monday, March 20, 2023, at 7:00 p.m., at the City Hall, 1001 Belgrade Avenue in the City of North Mankato, Minnesota (the "City"), relating to the proposed establishment of Development District No. 2, the proposed adoption of the Development Program for Development District No. 2, the proposed establishment of Tax Increment Financing District No. 2-1 within Development District No. 2, and the proposed adoption of a Tax Increment Financing Plan therefor, all pursuant to and in accordance with Minnesota Statutes, Sections 469.124 through 469.133 and Sections 469.174 through 469.1794; and a proposed business subsidy to be granted by the City to G2 Realty LLC for the proposed construction of a new 120,000 square foot warehouse and distribution center, to be occupied by Gordini USA Inc., located in the City (the "Project"), under Minnesota Statutes, Section 116J.993 to 116J.995 (the "Business Subsidy Act"). Copies of the proposed Development Program, the proposed Tax Increment Financing Plan and a summary of the subsidy agreements are on file and available for public inspection at the office of the City Clerk at City Hall.

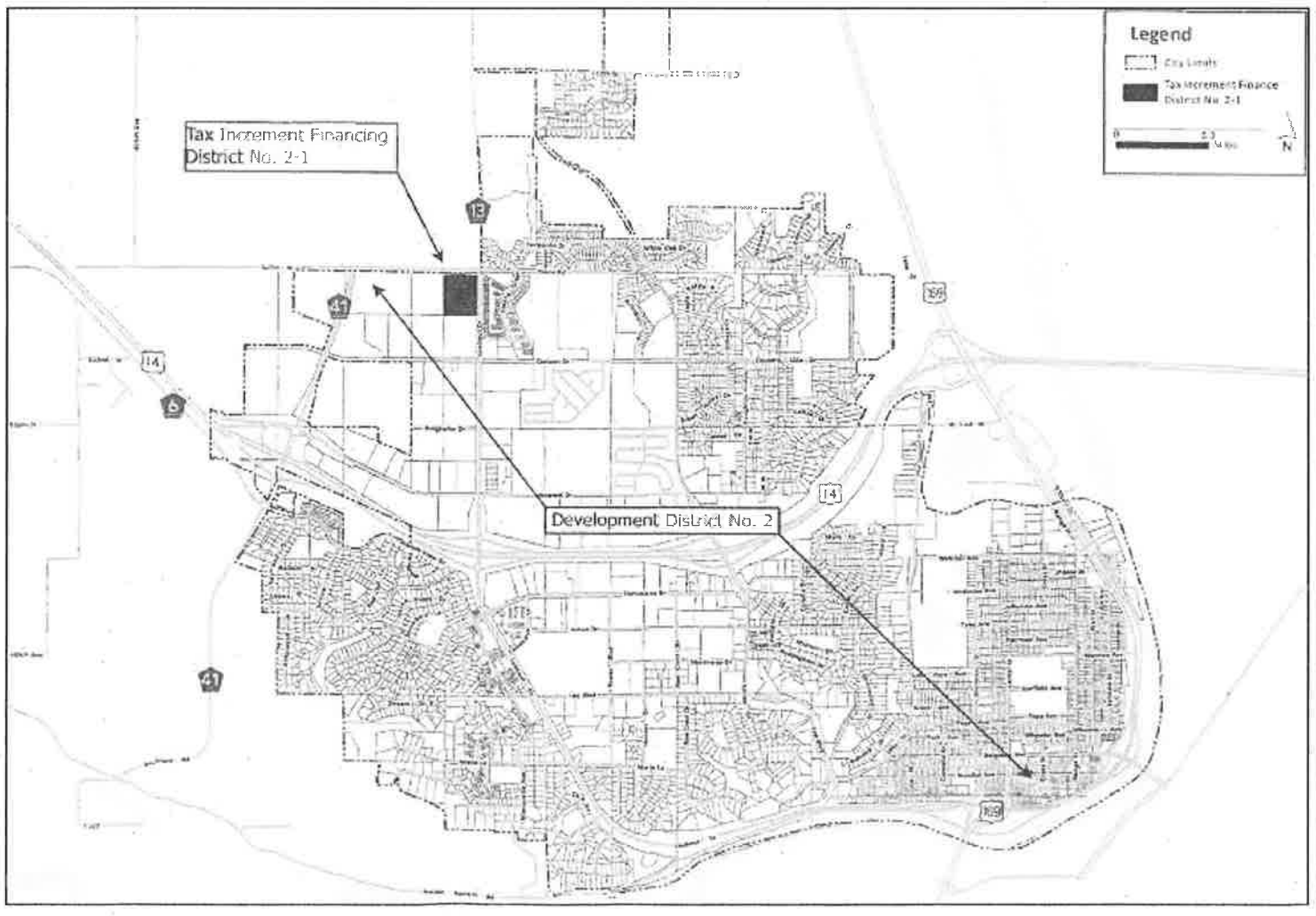
A person with residence in or the owner of taxable property in the granting jurisdiction may file a written complaint with the grantor if the grantor fails to comply with sections 116J.993 to 116J.995, and that no action may be filed against the grantor for the failure to comply unless a written complaint is filed.

The property included in Development District No. 2, is described in the Development Program on file in the office of the City Clerk. The property proposed to be included in Tax Increment Financing District No. 2-1 is described in the Tax Increment Financing Plan on file in the office of the City Clerk.

A map of Development District No. 2 and Tax Increment Financing District No. 2-1 is set forth in attachment A.

All interested persons may appear at the hearing and present their views orally or in writing prior to the hearing.

BY ORDER OF THE CITY COUNCIL OF
THE CITY OF NORTH MANKATO, MINNESOTA
/s/ April Van Genderen
City Clerk





City of North Mankato, MN

Check Report

By Vendor Name

Date Range: 3/20/23

Vendor Number	Vendor Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
Bank Code: APBNK-APBNK						
00009	A-1 KEY CITY LOCKSMITHS, INC	03/20/2023	Regular	0	10.00	97149
00029	AG SPRAY EQUIPMENT	03/20/2023	Regular	0	46.31	97150
00030	AHLMAN'S	03/20/2023	Regular	0	2,880.00	97151
00093	ARNOLD'S OF MANKATO, INC.	03/20/2023	Regular	0	189.00	97143
02434	AUSTIN'S AUTO REPAIR CENTER, INC.	03/20/2023	Regular	0	44.79	97152
00136	BENCHS	03/20/2023	Regular	0	160.00	97153
00137	BENCO ELECTRIC COOPERATIVE	03/20/2023	Regular	0	19,960.00	97144
03955	COMMERCIAL PARTNERS TITLE	03/20/2023	Regular	0	995.00	97154
00286	COMMUNITY EDUCATION & RECREATION	03/20/2023	Regular	0	590.50	97155
00297	CORPORATE GRAPHICS COMMERCIAL	03/20/2023	Regular	0	40.33	97156
03951	DAKOTA SUPPLY GROUP	03/20/2023	Regular	0	650.66	97157
00401	EXPRESS SERVICES, INC.	03/20/2023	Regular	0	947.25	97158
00409	FERGUSON ENTERPRISES, INC	03/20/2023	Regular	0	2,086.95	97159
00435	FORCE AMERICA DISTRIBUTING LLC	03/20/2023	Regular	0	9.54	97160
00499	GRAINGER	03/20/2023	Regular	0	64.42	97161
00508	GREEN TECH RECYCLING, LLC	03/20/2023	Regular	0	701.25	97162
00520	HAEFNER AUTO SUPPLY, INC.	03/20/2023	Regular	0	164.17	97163
00528	HANSEN SANITATION INC	03/20/2023	Regular	0	255.70	97164
00639	KIBBLE EQUIPMENT LLC	03/20/2023	Regular	0	6.80	97165
00731	LAGER'S OF MANKATO, INC.	03/20/2023	Regular	0	273.75	97166
03236	MANKATO AREA FOUNDATION	03/20/2023	Regular	0	1,000.00	97167
00812	MANKATO BEARING COMPANY	03/20/2023	Regular	0	66.63	97168
02898	MARTIN-MCALLISTER	03/20/2023	Regular	0	625.00	97169
00847	MATHESON TRI-GAS, INC.	03/20/2023	Regular	0	56.94	97170
02991	MED COMPASS (MOBILE HEALTH SERVICES LL	03/20/2023	Regular	0	3,905.00	97171
00920	MINNESOTA DEPARTMENT OF HEALTH	03/20/2023	Regular	0	35.00	97172
00904	MINNESOTA STATE FIRE CHIEFS ASSOCIATION	03/20/2023	Regular	0	1,090.00	97173
00951	MINNESOTA TRUCK & TRACTOR, INC.	03/20/2023	Regular	0	1,689.58	97174
01038	NICOLLET COUNTY ATTORNEY	03/20/2023	Regular	0	589.00	97175
01066	NORTHLAND SECURITIES, INC.	03/20/2023	Regular	0	4,250.00	97176
01106	PETTY CASH	03/20/2023	Regular	0	10.73	97177
01124	PONDEROSA LANDFILL OF BLUE EARTH CO, IN	03/20/2023	Regular	0	130.04	97178
01133	POWERPLAN/RDO EQUIPMENT	03/20/2023	Regular	0	558.00	97179
03954	PRINTWEAR GRAPHICS	03/20/2023	Regular	0	330.00	97180
03953	PROFFUTT LLC	03/20/2023	Regular	0	84,725.00	97145
02734	QUICK LANE OF MANKATO	03/20/2023	Regular	0	124.30	97181
02953	R & E ENTERPRISES OF MANKATO	03/20/2023	Regular	0	5,683.10	97182
02819	SETTER & ASSOCIATES LLC	03/20/2023	Regular	0	3,175.00	97183
03956	SICKLER, SKYANNE	03/20/2023	Regular	0	806.25	97184
01297	SOUTH CENTRAL COLLEGE	03/20/2023	Regular	0	2,000.00	97185
01354	SUBURBAN TIRE WHOLESALE, INC.	03/20/2023	Regular	0	1,321.92	97186
01371	TACTICAL SOLUTIONS	03/20/2023	Regular	0	279.00	97187
01421	TREASURY DIVISION, FINANCE	03/20/2023	Regular	0	262.00	97188
01432	TWIN RIVERS COUNCIL FOR THE ARTS	03/20/2023	Regular	0	2,500.00	97189
01439	UNIQUE PAVING MATERIALS CORP.	03/20/2023	Regular	0	288.80	97190
02282	WARD EINESS STRATEGIES	03/20/2023	Regular	0	3,000.00	97191
01525	WEST CENTRAL SANITATION, INC.	03/20/2023	Regular	0	31,319.72	97192
00064	AMERICAN PLANNING ASSOCIATION	03/02/2023	Bank Draft	0	473.00	DFT0007820
00137	BENCO ELECTRIC COOPERATIVE	03/06/2023	Bank Draft	0	32,294.58	DFT0007819
00219	CARDMEMBER SERVICE	02/02/2023	Bank Draft	0	123.64	DFT0007829
00311	CULLIGAN (HEALTHY WATER SOLUTIONS LLC)	03/02/2023	Bank Draft	0	99.50	DFT0007821
03248	FREDRIKSON & BYRON, P.A.	03/14/2023	Bank Draft	0	592.00	DFT0007849
03248	FREDRIKSON & BYRON, P.A.	03/14/2023	Bank Draft	0	443.00	DFT0007850
00447	FREE PRESS	02/07/2023	Bank Draft	0	435.36	DFT0007824
00447	FREE PRESS	03/15/2023	Bank Draft	0	272.85	DFT0007851
02026	INTERNATIONAL CODE COUNCIL	03/13/2023	Bank Draft	0	140.00	DFT0007853
00733	LAKES GAS CO #10	03/14/2023	Bank Draft	0	98.98	DFT0007854

00815	MANKATO CLINIC, LTD.	03/15/2023	Bank Draft	0	535.00	DFT0007855
00857	MC GOWAN WATER CONDITIONING, INC.	03/15/2023	Bank Draft	0	85.89	DFT0007856
00923	MINNESOTA DEPARTMENT OF LABOR & INDU:	03/03/2023	Bank Draft	0	170.00	DFT0007825
00910	MINNESOTA VALLEY TESTING LAB, INC.	03/14/2023	Bank Draft	0	85.80	DFT0007858
01083	OVERDRIVE, INC.	02/24/2023	Bank Draft	0	1,082.20	DFT0007826
01083	OVERDRIVE, INC.	02/10/2023	Bank Draft	0	939.74	DFT0007827
01335	STAPLES ADVANTAGE	03/08/2023	Bank Draft	0	268.17	DFT0007859
03254	TAFT	03/15/2023	Bank Draft	0	8,232.00	DFT0007860
01470	VERIZON WIRELESS	03/09/2023	Bank Draft	0	1,166.75	DFT0007861
01525	WEST CENTRAL SANITATION, INC.	03/09/2023	Bank Draft	0	4,051.97	DFT0007862
03221	ZIBSTER	02/27/2023	Bank Draft	0	32.00	DFT0007828
00551	A.H. HERMEL COMPANY	03/22/2023	EFT	0	29.09	6153
00063	AMERICAN PEST CONTROL	03/22/2023	EFT	0	200.00	6154
01090	AMERICAN SOLUTIONS FOR BUSINESS	03/22/2023	EFT	0	50.92	6155
00103	AUTO BODY SPECIALTIES	03/22/2023	EFT	0	19.86	6156
00105	AUTO VALUE MANKATO	03/22/2023	EFT	0	1,133.52	6157
00174	BOLTON & MENK, INC.	03/22/2023	EFT	0	61,838.49	6158
00216	C & S SUPPLY CO, INC.	03/22/2023	EFT	0	313.92	6159
02757	CINTAS	03/22/2023	EFT	0	166.35	6160
02275	DEM-CON MATERIALS & RECOVERY	03/22/2023	EFT	0	3,335.62	6161
00343	DH ATHLETICS LLC	03/22/2023	EFT	0	1,543.42	6162
02946	FROELICH, PAUL	03/22/2023	EFT	0	408.75	6163
00463	G & L AUTO SUPPLY, LLC	03/22/2023	EFT	0	155.00	6164
00482	GMS INDUSTRIAL SUPPLIES, INC.	03/22/2023	EFT	0	252.93	6165
00646	HEINTZ, KATIE	03/22/2023	EFT	0	322.74	6166
00544	HENDRICKSON, CHRISTOPHER	03/22/2023	EFT	0	213.00	6167
00691	KENNEDY & KENNEDY LAW OFFICE	03/22/2023	EFT	0	7,051.93	6168
03744	LASSONDE, MATTHEW	03/22/2023	EFT	0	72.97	6169
00776	LLOYD LUMBER CO.	03/22/2023	EFT	0	106.42	6170
00793	M & M SIGNS, INC.	03/22/2023	EFT	0	2,645.00	6171
00796	MACQUEEN EQUIPMENT, INC.	03/22/2023	EFT	0	263.69	6172
00800	MADDEN, GALANTER, HANSEN, LLP	03/22/2023	EFT	0	744.86	6173
00874	MENARDS-MANKATO	03/22/2023	EFT	0	42.34	6174
00886	MIDSTATES EQUIPMENT & SUPPLY	03/22/2023	EFT	0	648.06	6175
00889	MIDWEST TAPE/HOOPLA	03/22/2023	EFT	0	1,133.83	6176
00902	MINNESOTA IRON & METAL CO	03/22/2023	EFT	0	260.00	6177
00956	MINNESOTA WASTE PROCESSING CO.	03/22/2023	EFT	0	22,378.61	6178
02323	MOBOTREX	03/22/2023	EFT	0	66.00	6179
01052	NORTH CENTRAL INTERNATIONAL	03/22/2023	EFT	0	14,724.00	6180
01064	NORTHERN STATES SUPPLY, INC.	03/22/2023	EFT	0	162.69	6181
03160	NOVEL SOLAR THREE LLC (DBA GREEN STREET	03/22/2023	EFT	0	2,208.51	6182
02005	PANTHEON COMPUTERS	03/22/2023	EFT	0	22,722.50	6183
01099	PET EXPO DISTRIBUTORS	03/22/2023	EFT	0	194.97	6184
01402	POMPS TIRE	03/22/2023	EFT	0	2,760.82	6185
01211	RIVER BEND BUSINESS PRODUCTS	03/22/2023	EFT	0	598.00	6186
01263	SCHWICKERT'S TECTA AMERICA LLC	03/22/2023	EFT	0	2,435.35	6187
01285	SIRSIDYNIX	03/22/2023	EFT	0	1,250.00	6188
01286	SKARPOHL PRESSURE WASHER SALES	03/22/2023	EFT	0	6,895.00	6189
01380	TEXAS REFINERY CORP.	03/22/2023	EFT	0	790.50	6190
01407	TOOL SALES COMPANY	03/22/2023	EFT	0	90.00	6191
01478	VIKING FIRE & SAFETY LLC	03/22/2023	EFT	0	467.89	6192
03442	WASMUND, LARRY	03/22/2023	EFT	0	2,090.00	6193
02625	WHITLOCK, JAMES	03/22/2023	EFT	0	504.66	6194
01569	ZIMMERMANN, MICHELLE	03/22/2023	EFT	0	88.30	6195
03482	CARDCONNECT	03/02/2023	Bank Draft	0	380.48	DFT0007839
00219	CARDMEMBER SERVICE	03/03/2023	Bank Draft	0	15,837.61	DFT0007846
00234	CENTER POINT ENERGY	03/15/2023	Bank Draft	0	20,768.46	DFT0007848
00234	CENTER POINT ENERGY	03/15/2023	Bank Draft	0	329.30	DFT0007863
02181	ETS CORPORATION	03/02/2023	Bank Draft	0	103.41	DFT0007840
02003	MINNESOTA DEPT OF REVENUE	02/28/2023	Bank Draft	0	585.11	DFT0007841
02003	MINNESOTA DEPT OF REVENUE	02/28/2023	Bank Draft	0	9,743.00	DFT0007847
03029	OPEN EDGE	03/02/2023	Bank Draft	0	162.15	DFT0007842
03945	TYLER PAYMENTS	03/02/2023	Bank Draft	0	3,777.62	DFT0007844
01557	XCEL ENERGY	03/09/2023	Bank Draft	0	20,809.87	DFT0007838
					467,397.38	120

Authorization Signatures

All Council

The above manual and regular claims lists for 3/20/23 are approved by:

SCOTT CARLSON- MAYOR

SANDRA OACHS- COUNCIL MEMBER

JAMES WHITLOCK- COUNCIL MEMBER

WILLIAM STEINER- COUNCIL MEMBER

MATT PETERSON- COUNCIL MEMBER

RESOLUTION APPROVING DONATIONS/CONTRIBUTIONS/GRANTS

WHEREAS, the Minnesota Statute 465.03 and 465.04 allow the governing body of any city, county, school district or town to accept gifts for the benefit of its citizens in accordance with terms prescribed by the donor;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF NORTH MANKATO, MINNESOTA, that the following donations/contributions/grants are approved as follows:

Donor	Restriction	Amount
Melanie Wong	Swim Scholarship	\$5.00
Melanie Wong	Youth Sports Scholarship	\$5.00
William Altnow Estate	Police Donation	\$4,846.88
Total		\$4,856.88

Adopted by the City Council this 20th day of March 2023.

Mayor

City Clerk

RESOLUTION DECLARING SURPLUS VEHICLES AND EQUIPMENT

WHEREAS, the City of North Mankato owns the following vehicles and equipment; and

2008 Pontiac G6

VIN: 1G2ZM177584187054

WHEREAS, this vehicles is owned by the City.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF NORTH MANKATO, MINNESOTA, that the aforementioned vehicles and equipment be declared surplus and that the sale of said vehicles and equipment is hereby authorized.

Adopted by the City Council this 20th day of March 2023.

Mayor

ATTEST:

City Clerk

RESOLUTION WAIVING WAITING PERIOD
FOR EXEMPTION FROM LAWFUL GAMBLING LICENSE FOR
HOLY ROSARY CHURCH

WHEREAS, Holy Rosary Church has made an application for exemption from a charitable gambling license to conduct a raffle on May 22, 2023, at 546 Grant Avenue, within the City of North Mankato, Minnesota, which application was received by the City on March 14, 2023.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF NORTH MANKATO, MINNESOTA, that the City waives the mandatory waiting period concerning the issuance of an exemption from lawful gambling license concerning the above-identified organization.

Adopted by the City Council this 20th day of March 2023.

Mayor

ATTEST:

City Clerk

RESOLUTION PROCLAIMING NO-MOW MAY IN NORTH MANKATO

WHEREAS, insects, especially bees, serve a significant and critical role as pollinators of plants including agricultural plants; and

WHEREAS, the formative period for the establishment of pollinators and other insect species and other urban wildlife species that depend upon them occurs in late spring and early summer as they emerge from dormancy and require flowering plants as crucial foraging habitat; and,

WHEREAS, 'No Mow May' is a community science initiative that encourages property owners to limit lawn mowing practices during the month of May to provide early season foraging resources for pollinators that emerge in the spring,; and

WHEREAS, North Mankato would like to encourage interested residents to increase pollinator-friendly habitat by encouraging pollinator-friendly lawn-care practices on their own properties for the month of May during this formative period.

NOW, THEREFORE BE IT RESOLVED, that the North Mankato City Council recognizes No Mow May to actively promote and educate the community about the critical period of pollinator emergence, generation of crucial pollinator-supporting habitat, and early spring foraging opportunities.

BE IT FURTHER RESOLVED, that the City of North Mankato City Council directs staff to not issue correction notices for long grass violations for the month of May, permitting residents to voluntarily delay lawn care until June, allowing pollinator species to emerge and early flowering grasses to establish, which may result in ground-cover exceeding established ordinance height restrictions. All residents who want to participate in No-Mow May must register on the City website.

Adopted by the City Council of the City of North Mankato, MN this 20th day of March 2023.

Mayor

ATTEST:

City Clerk

CITY OF NORTH MANKATO

REQUEST FOR COUNCIL ACTION



Agenda Item # 11A	Dept: Administration	Council Meeting Date: 3/20/23																												
TITLE OF ISSUE: Consider Resolution Establishing Development District No. 2 and Adopting the Development Program Therefore; Establishing Tax Increment Financing District No. 2-1 and Adopting the Tax Increment Financing Plan; Authorizing an Interfund Loan; Authorizing Execution of a Development Agreement and Approving a Business Subsidy.																														
BACKGROUND AND SUPPLEMENTAL INFORMATION: Bond Counsel Tammy Omdal will be present to answer questions concerning the plan.																														
If additional space is required, attach a separate sheet																														
REQUESTED COUNCIL ACTION: Adopt Resolution Establishing Development District No. 2 and Adopting the Development Program Therefore; Establishing Tax Increment Financing District No. 2-1 and Adopting the Tax Increment Financing Plan; Authorizing an Interfund Loan; Authorizing Execution of a Development Agreement and Approving a Business Subsidy.																														
For Clerk's Use: Motion By: _____ Second By: _____ Vote Record: <table style="margin-left: 40px; border: none;"> <tr> <td style="text-align: center;">Aye</td> <td style="text-align: center;">Nay</td> <td></td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Whitlock</td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Steiner</td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Oachs</td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Peterson</td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Carlson</td> </tr> </table>	Aye	Nay		_____	_____	Whitlock	_____	_____	Steiner	_____	_____	Oachs	_____	_____	Peterson	_____	_____	Carlson	SUPPORTING DOCUMENTS ATTACHED <table style="width: 100%; border: none;"> <tr> <td style="text-align: center;">Resolution</td> <td style="text-align: center;">Ordinance</td> <td style="text-align: center;">Contract</td> <td style="text-align: center;">Minutes</td> <td style="text-align: center;">Map</td> </tr> <tr> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table> Other (specify) _____ _____ _____ _____		Resolution	Ordinance	Contract	Minutes	Map	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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EXTRACT OF MINUTES OF A MEETING OF THE
CITY COUNCIL OF THE CITY
OF NORTH MANKATO, MINNESOTA

HELD: March 20, 2023

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of North Mankato, Nicollet and Blue Earth Counties, Minnesota, was duly called and held on March 20, 2023 at 7:00 p.m.

The following members of the Council were present:

and the following were absent:

Member _____ introduced the following resolution and moved its adoption:

RESOLUTION NO. _____

RESOLUTION ESTABLISHING DEVELOPMENT DISTRICT NO. 2 AND
ADOPTING THE DEVELOPMENT PROGRAM THEREFOR;
ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 2-1
WITHIN DEVELOPMENT DISTRICT NO. 2 AND ADOPTING THE TAX
INCREMENT FINANCING PLAN THEREFOR; AUTHORIZING AN
INTERFUND LOAN; AUTHORIZING EXECUTION OF A DEVELOPMENT
AGREEMENT; AND APPROVING A BUSINESS SUBSIDY

A. WHEREAS, it has been proposed that the City of North Mankato, Minnesota (the "City") (1) establish Development District No. 2 (the "Development District"); (2) adopt a Development Program for the Development District; (3) establish Tax Increment Financing District No. 2-1 therein (the "TIF District"); (4) approve and adopt the proposed Tax Increment Financing Plan therefor under the provisions of Minnesota Statutes, Sections 469.174 to 469.1794, as amended (the "Act"); (5) authorize an Interfund Loan (hereinafter defined); (5) authorize the execution of a development agreement; and (6) approve a business subsidy; and

B. WHEREAS, the City Council has investigated the facts and has caused to be prepared a development program for the establishment of the Development District (the "Development Program"), and has caused to be prepared a proposed tax increment financing plan for the TIF District therein (the "TIF Plan"); and

C. WHEREAS, the City has performed all actions required by law to be performed prior to the approval of the establishment of the Development District and the establishment of the TIF District therein, and the adoption of the Development Program and TIF Plan therefor, including, but not limited to, a review of the Planning Commission of the proposed Development Program and establishment of the TIF District, notification of Nicollet County and Independent School District No. 77 having taxing jurisdiction over the property to be included in the TIF District and the holding of a public hearing upon published and mailed notice as required by law; and

D. WHEREAS, G2 Realty LLC, a Minnesota limited liability company (the "Developer") has requested the City to assist with the financing of certain costs incurred in connection with the construction of an approximately 120,000 square-foot warehouse and distribution facility (the "Project"); and

E. WHEREAS, the Developer and the City have determined to enter into a Development Agreement providing for the City's tax increment financing assistance for the Project (the "Development Agreement"); and

F. WHEREAS, the proposed assistance by the City to the Developer as contemplated by the Development Agreement is considered a business subsidy (the "Business Subsidy") pursuant to Minnesota Statutes, Sections 116J.993 to 116J.995.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of North Mankato as follows:

1. Development District No. 2. There is hereby established in the City a Development District No. 2, the initial boundaries of which are fixed and determined as described in the Development Program.

2. Development Program. The Development Program for the establishment of the Development District, a copy of which is on file in the office of the City Clerk, is adopted as the development program for the Development District.

3. Tax Increment Financing District No. 2-1. There is hereby established in the City within the Development District, Tax Increment Financing District No. 2-1, an economic development tax increment financing district, the initial boundaries of which are fixed and determined as described in the TIF Plan.

4. Tax Increment Financing Plan. The TIF Plan is adopted as the tax increment financing plan for the TIF District, and the City Council makes the following findings:

(a) The TIF District is an economic development district as defined in Minnesota Statutes, Section 469.174, Subd. 12, the specific basis for such determination is set forth in Section 3.03.3 of the TIF Plan.

(b) The proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future. The reasons for such determination are set forth in Section 3.02.7 of the TIF Plan.

(c) In the opinion of the City Council, the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan. The reasons supporting this finding are set forth in Section 3.02.7 and Exhibit I of the TIF Plan.

(d) The TIF Plan for the TIF District conforms to the general plan for development or redevelopment of the City as a whole. The reasons for supporting this finding are set forth in Section 3.02.4 of the TIF Plan.

(e) The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of the Development District by private enterprise. The reasons supporting this finding are set forth in Section 3.02.7 of the TIF Plan.

5. Public Purpose. The adoption of the TIF Plan for the TIF District within the Development District conforms in all respects to the requirements of the Act and will help fulfill a need to develop an area of the State which is already built up to provide employment opportunities, to improve the tax base and to improve the general economy of the State and thereby serves a public purpose.

6. Certification. The Auditor of Nicollet County is requested to certify the original net tax capacity of the TIF District as described in the TIF Plan, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased in accordance with the Act; and the City Clerk is authorized and directed to forthwith transmit this request to the County Auditor in such form and content as the Auditor may specify, together with a list of all properties within the TIF District for which building permits have been issued during the 18 months immediately preceding the adoption of this Resolution.

7. Filing. The City Clerk is further authorized and directed to file a copy of the Development Program and TIF Plan for the TIF District with the Commissioner of Revenue and the Office of the State Auditor.

8. Administration. The administration of the Development District is assigned to the City Administrator who shall from time to time be granted such powers and duties pursuant to Minnesota Statutes, Sections 469.130 and 469.131 as the City Council may deem appropriate.

9. Interfund Loan. The City has determined to pay for certain costs (the "Qualified Costs") identified in the TIF Plan consisting of certain administrative expenses, which costs may be financed on a temporary basis from the City's general fund or any other fund from which such advances may be legally made (the "Fund"). Under Minnesota Statutes, Section 469.178, Subd. 7, the City is authorized to advance or loan money from the Fund in order to finance the Qualified Costs. The City intends to reimburse itself for the payment of the Qualified Costs, plus interest thereon, from tax increments derived from the TIF District in accordance with the following terms (which terms are referred to collectively as the "Interfund Loan"):

(a) The City shall repay to the Fund from which the Qualified Costs are initially paid, the principal amount of \$44,214 (or, if less, the amount actually paid from such fund) together with interest at 5.00% per annum (which is not more than the greater of (i) the rate specified under Minnesota Statutes, Section 270C.40, or (ii) the rate specified under Minnesota Statutes, Section 549.09) from the date of the payment.

(b) Principal and interest on the Interfund Loan ("Payments") shall be paid annually on each December 31 commencing with the date the tax increments from the

TIF District are available and not otherwise pledged to and including the earlier of (a) the date the principal and accrued interest of the Interfund Loan is paid in full, or (b) the date of last receipt of tax increment from the TIF District ("Payment Dates") which Payments will be made in the amount and only to the extent of available tax increments. Payments shall be applied first to accrued interest, and then to unpaid principal.

(c) Payments on the Interfund Loan are payable solely from the tax increment generated in the preceding twelve (12) months with respect to the TIF District and remitted to the City by Nicollet County, all in accordance with Minnesota Statutes, Sections 469.174 to 469.1794, as amended. Payments on this Interfund Loan are subordinate to any outstanding or future bonds, notes or contracts secured in whole or in part with tax increment, and are on parity with any other outstanding or future interfund loans secured in whole or in part with tax increments.

(d) The principal sum and all accrued interest payable under this Interfund Loan are pre-payable in whole or in part at any time by the City without premium or penalty. No partial prepayment shall affect the amount or timing of any other regular payment otherwise required to be made under this Interfund Loan.

(e) The Interfund Loan is evidence of an internal borrowing by the City in accordance with Minnesota Statutes, Section 469.178, Subd. 7, and is a limited obligation payable solely from tax increment pledged to the payment hereof under this resolution. The Interfund Loan and the interest hereon shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the City. Neither the State of Minnesota, nor any political subdivision thereof shall be obligated to pay the principal of or interest on the Interfund Loan or other costs incident hereto except out of tax increment, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of the principal of or interest on the Interfund Loan or other costs incident hereto. The City shall have no obligation to pay any principal amount of the Interfund Loan or accrued interest thereon, which may remain unpaid after the termination of the TIF District.

(f) The City may amend the terms of the Interfund Loan at any time by resolution of the City Council, including a determination to forgive the outstanding principal amount and accrued interest to the extent permissible under law.

10. Development Agreement; Business Subsidy.

(a) The Council hereby approves the Development Agreement in substantially the form submitted and the granting of the business subsidy as described in the Development Agreement, and the Mayor and the City Administrator are hereby authorized and directed to execute the Development Agreement on behalf of the Council.

(b) The approval hereby given to the Development Agreement includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and

appropriate and approved by the City officials authorized by this resolution to execute the Development Agreement. The execution of the Development Agreement by the appropriate officer or officers of the City shall be conclusive evidence of the approval of the Development Agreement in accordance with the terms hereof.

The motion for the 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
COUNTIES OF NICOLLET AND BLUE EARTH
CITY OF NORTH MANKATO

I, the undersigned, being the duly qualified and acting Clerk of the City of North Mankato, Minnesota, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council of said City, duly called and held on the date therein indicated, insofar as such minutes relate to the establishment of Development District No. 2 and approving the Development Program therefor; and the establishment of Tax Increment Financing District No. 2-1 and approving the Tax Increment Financing Plan therefor, authorization of an interfund loan, authorizing execution of a development agreement and granting a business subsidy.

WITNESS my hand March 20, 2023.

City Clerk



MEMORANDUM

To: City of North Mankato
From: Tammy Omdal
Date: March 2, 2023
Re: Updated Financial Evaluation of Request from Gordini U.S.A., Inc. for Public Assistance

City of North Mankato ("City") received an application from Gordini U.S.A., Inc. ("Company") requesting financial assistance for the construction of an approximate 120,000 SF warehouse and distribution facility for socks, and other cold weather clothing accessories ("Project"). The Company is requesting the City to establish a tax increment financing district and for the City to work in conjunction with the Company on application to the State of Minnesota for public financial assistance through state grant funding.

The Company has stated that it feels the only way to expand in Minnesota without negatively impacting its competitiveness on a national scale is through incentives.

The Company finds that the proposed approximate 10-acre site in the City, located at the corner of Lookout Drive and 520th Street within the City on property (PID 18.312.0010) owned by the North Mankato Port Authority ("Property") is of sufficient size to accommodate the Project. The building will be occupied solely by the Company but owned by a related entity G2 Realty LLC.

This memorandum provides a financial analysis of the request for public financial assistance based on information available to Northland.

Background of Company

The Company offered the following background as provide in its applications:

Gordini USA is an international brand, with distribution facilities and employees in numerous locations throughout the country, including Minnesota. Gordini opened a distribution facility in Mankato to support the launch of its new licensed product, Carhartt Socks. During 2022, as the business grew, Gordini expanded into two additional facilities in the area and grew its regional staff. Gordini would like to consolidate these facilities into one building. Labor is scarce in the Mankato/North Mankato area; in fact, the Bureau of Labor and Statistics cited Mankato/North Mankato as currently having the lowest unemployment rate in the nation, at 1.3%. Other areas of the country are under consideration for expansion, including our home state of Vermont, as well as the West Coast. Goods are imported via the New York or Boston ports in the East, or LA or Vancouver in the West. A distribution facility closer to the ports would help Gordini efficiently ship goods to its customers, who are located throughout the country. The available labor pool is substantially greater in other locations under consideration.

The Company states that the Project will result in 30 full time equivalent (FTE) jobs to be created within two years. The average hourly wage of the 30 FTEs is reported at \$19.57 per hour, with a range of \$19.00 to \$25.00 per hour.

Request for Public Financial Assistance

The proposed public purpose of the public financial assistance, a business subsidy, is to increase or preserve the tax base and to create new jobs in City. Due to the extraordinary costs associated with acquisition and development of the Project, the Company is seeking financial assistance.

Tax Increment Financing (Provided by City)

The request for assistance from City is for tax increment financing assistance on what is commonly referred to as a “pay-as-you-go” basis. City has the authority to consider the establishment of a Tax Increment Financing Economic Development District (“TIF District”) to provide for the collection and use of tax increment revenue generated from the property to assist the Project for a maximum period of nine years.

The term “pay-as-you-go” is used to describe this type of assistance to a third-party, payable semi-annually, solely from tax increment revenue generated from the property. The reason for semi-annual payments from City to Company is to coincide with the semi-annual tax payments the property owner will make to the County. City receives tax distributions from the County on a semi-annual basis. Exhibit C provides cash flow estimates for the tax increment financing revenue.

City will retain the first \$40,556 of annual tax increment to reimburse City for up to \$365,000 of storm water (utility) improvements for the Project. The remaining tax increment will be split 2.5% and 97.5% between City and Company, respectively. City will use 2.5% of tax increment to pay administrative costs incurred for administration of the assistance for the Project.

City will use 97.5% of tax increment to reimburse the Company up to \$1,260,000 of project costs (\$700,000 for land acquisition plus \$560,000 for construction costs, payable with interest at rate of 5.5%, simple non-compounded).

State of Minnesota Investment Fund (MIF)

The source of funds for the Project includes assistance from the Minnesota Investment Fund (MIF). The Company is also making application for the Minnesota Job Creation Fund to provide additional benefits to the Company based on job and wage creation. The MIF Program provides loans to businesses that create or retain high-paying, full-time permanent jobs, and invest in machinery or real property acquisition or improvements. The program is available statewide for manufacturing, distribution, warehousing, and other eligible business activities. Applications are accepted on a year-round basis as funds are available.

To receive funds from the MIF Program, a business must work in conjunction with the local or county government where the business will be located. A MIF application must be completed and submitted to the Department of Employment and Economic Development (DEED). Prior to submission of the application the local government, City must hold a public hearing concerning submittal of the application for the MIF Program to DEED. Following the hearing, City may consider adoption of a

resolution making certain findings. The resolution must be adopted prior to the City's submission of the application for the MIF Program.

The total subsidy to the Developer supported by TIF is \$1,625,000 plus the requested MIF funds of \$420,000 for a combined total of \$2,045,000. Job Creation Funds, if awarded, will be in addition to this amount.

Financial Analysis

Based on Northland's financial analysis and general review of the information provided by the Company, we find no concerns with the Company's ability to meet its commitments to the City. We find the Company to be in sound financial condition based on the information provided. The information reviewed by Northland included, but was not limited to the following:

- Audited Financial Statements, March 31, 2022 and 2021, for Gordini U.S.A., Inc.
- Audited Financial Statements, March 31, 2021 and 2020, for Gordini U.S.A., Inc. and Subsidiary
- Unaudited 6-Month Financial Statements, September 30, 2022 compared to September 30, 2021, for Gordini U.S.A., Inc.
- Credit presentation from Community Bank Mankato, bank commitment letter dated February 7, 2023 was signed by Robert Beadell, Vice President Commercial Lending for Community Bank Mankato. The letter offers that the Company has been conditionally pre-qualified for a construction loan up to \$9,200,000 to construct a 120,000 SF warehouse in North Mankato.

Northland offers the following observations on the Company's financial condition:

- Company's liabilities are low relative to existing assets, which is a positive factor for the Company's ability to meet its future obligations and commitments to the City.
- Company's liquidity ratio decreased year over year from September 30, 2021 to 2022, but the Company remains in a strong position to meet its obligations, including commitments to the City.
- Company reported access to credit, but it is not burdened by significant long-term debt. While bank notes payable increased year over year from September 30, 2021 to 2022, it appears to be driven by growth.
- Company's gross profit has increased over the last few years, and net income has been stable.

Exhibit B provides a summary of the estimated sources and uses of funds for the Project. Based on Northland's review of the information provided by the Company and under current market conditions, Northland finds that the Project may not reasonably be expected to occur solely through private investment within the reasonably near future. Due to the costs associated with acquisition of the property, construction of the improvements, among other economic factors, the Project as proposed may only be feasible through assistance, in part, from tax increment financing and MIF. Without the public financial assistance, the Project as proposed would need to be modified or not feasible. Facts supporting this finding are as follows:

- As shown in Exhibit B, the Company proposes the Project to be funded from a combination of debt, equity, TIF (local government), and MIF. The Company will need to provide equity to pay for certain project costs that will be reimbursed from the TIF on a pay-go-basis. The estimated total
-

amount of TIF assistance from City is a not to exceed amount of \$1,625,000. Of this amount, City will provide \$365,000 of up-front assistance through City payment of storm water improvements, and the Company will need to finance the remaining amount with its own funds. The “pay-go” TIF assistance will help to reduce the effective cost of the project by an equivalent \$1,260,000 (present value of tax increment payable to the Company at 5.5% interest rate).

- The total cost for the Project is estimated to be \$11,905,000, including machinery and equipment. Based on Northland’s experience and given the square footage and location of the Project, we find the Project cost estimate to be reasonable.
 - The Project includes an equity contribution of 10.2%. The present value of the tax increment financing assistance represents an equivalent 13.6% of the total estimated cost for the Project. The Company will need to provide owner cash, equity, or other private funds to pay for the \$1,260,000 of up-front project costs that will be reimbursed with future tax increment revenue over a period of up to nine years. Assuming this amount is provided with equity, the equity contribution increases to 20.7% of the Project cost. Northland finds the equity contribution ratios acceptable and consistent with financings for similar types of projects.
-

EXHIBIT A

Developer Source and Use of Funds for the Project

Use of Funds	MIF	Bank	Equity	Local Government	Other	Total
Property Acquisition				700,000		700,000
Site Improvement			250,000	365,000		615,000
New Construction		8,650,000	540,000	560,000		9,750,000
Renovation of Existin Bldg.						-
Purchase of M & E	420,000		420,000			840,000
Other						-
Total Project Cost	420,000	8,650,000	1,210,000	1,625,000	-	11,905,000
<i>Percent of Total</i>	<i>3.5%</i>	<i>72.7%</i>	<i>10.2%</i>	<i>13.6%</i>	<i>0.0%</i>	<i>100.0%</i>

Note:

Local Government to pay \$365,000 up-front costs for storm water improvements and reimburse the Business up to \$1,260,000 over a 9 year period (for property acquisition and constructions costs) with interest at rate of 5.5%, payable from tax increment from the project.

EXHIBIT B

Estimated Tax Increment Cash Flow from the Project

City of North Mankato
Tax Increment Financing District No. 2-1 (Economic Development)
Gordini - Warehousing and Distribution
Projected Tax Increment Financing (TIF) Cash Flow

TIF District Year	Taxes Payable Year	Taxable Market Value (TMV)	Captured Tax Capacity for TIF	Original Tax Rate	TIF from District	TIF to Reimburse City for Project Costs	TIF to City for Admin Costs	TIF to Developer	Present Value of TIF to Developer (5.5% rate)
1	2025	9,600,000	180,743	126.15%	227,181	40,556	4,666	181,960	164,746
2	2026	9,696,000	182,663	126.15%	229,594	40,556	4,726	184,313	322,810
3	2027	9,792,960	184,602	126.15%	232,032	40,556	4,787	186,689	474,456
4	2028	9,890,890	186,561	126.15%	234,494	40,556	4,848	189,090	619,941
5	2029	9,989,798	188,539	126.15%	236,980	40,556	4,911	191,514	759,509
6	2030	10,089,696	190,537	126.15%	239,492	40,556	4,973	193,963	893,396
7	2031	10,190,593	192,555	126.15%	242,028	40,556	5,037	196,435	1,021,829
8	2032	10,292,499	194,593	126.15%	244,589	40,556	5,101	198,933	1,145,026
9	2033	10,395,424	196,652	126.15%	247,177	40,556	5,166	201,000	1,262,930
TOTAL =					2,133,566	365,000	44,214	1,723,896	1,262,930

Key Assumptions:

- 1 Taxable market value (TMV) annual growth assumption = 1.0%
- 2 Original Tax Capacity Rate is estimated based on Taxes Payable Year 2022 . The original tax rate will be certified by the county auditor and will be based on Pay 2023 rate, if the request for certification of the TIF
- 3 Election for captured tax capacity is 100.00%
- 4 Base Tax Capacity is calculated based on a preliminary estimated TMV = \$562,848 for 10 acres of land.
- 5 Present Value (PV) calculated based on semi-annual payments and estimated rates, as shown in schedule,
- 6 TIF from District is the estimated tax increment generated from the TIF district after deduction of State Auditor fee.

EXHIBIT C

Proposed Calendar for Establishment of TIF District for the Project

City of North Mankato
Establishment of Development District No. 2
Establishment of Tax Increment Financing District No. 2-1
Economic Development TIF District
Gordini - Warehousing and Distribution
Public Hearing on March 20

January 2023

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

January 27 Developer submits application for TIF by this date

February 2023

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

February 6 Port Authority informed of proposed TIF District

February 6 City Council calls for public hearing for TIF and business subsidy

February 8 Northland distributes draft TIF Plan and Financial Evaluation memo to City

February 16 Last day for notice, TIF plan, and fiscal implications to County and School District

March 2023

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

March 1 Notice due to newspaper

March 4 Newspaper publication date for hearing notice

March 9 Planning Commission review of Plan for Development

March 20 Port Authority recommends City Council approve TIF District

March 20 Public hearing and establishment of TIF District

March 20 City Council approves agreement(s) with Developer

April 2023

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

April 24 Submit request for certification to county auditor

April 24 Submit TIF plan to State

June 30 Certification of TIF District by county auditor no later than this date

Notes to Calendar:

- 1 Denotes City Council meeting dates
- 2 Port Authority meeting dates are planned to be scheduled on same date as Council meeting dates.
- 3 Denotes Planning Commission meeting date

DRAFT

CITY OF NORTH MANKATO, MINNESOTA

DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 2

AND TAX INCREMENT FINANCING PLAN FOR

TAX INCREMENT FINANCING (ECONOMIC DEVELOPMENT)

DISTRICT NO. 2-1 (GORDINI)

PUBLIC HEARING DATE: _____, 2023

TIF PLAN APPROVED: _____, 2023

REQUEST FOR CERTIFICATION: _____ 2023

TIF DISTRICT CERTIFIED: _____, 2023



Northland Securities, Inc.
150 South Fifth Street, Suite 3300
Minneapolis, MN 55402
(800) 851-2920
Member NASD and SIPC
Registered with SEC and MSRB

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ARTICLE I – INTRODUCTION AND DEFINITIONS

SECTION 1.01 INTRODUCTION

The City of North Mankato proposes to provide tax increment financing assistance to assist with economic development within the City. This document contains the plan for achieving the objectives of the Development Program for Development District No. 2 through the establishment and use of tax increment financing districts within its boundaries. This document also contains the Tax Increment Financing Plan for Tax Increment Financing (Economic Development) District No. 2-1, which is the first district to be established within the boundaries of Development District No. 2.

SECTION 1.02 DEFINITIONS

The terms defined below, for purposes hereof, and for purposes of Development District No. 2 and the Development Program related thereto and for Tax Increment Financing District No. 2-1 and the Tax Increment Financing Plan related thereto which is established and approved within Development District No. 2, shall have the following respective meanings, unless the context specifically requires otherwise.

1. "Authority" means the North Mankato Port Authority.
2. "City" means the City of North Mankato, Minnesota.
3. "City Council" means the City Council of the City.
4. "County" means Nicollet County, Minnesota.
5. "Developer" means a private party undertaking construction within the TIF District.
6. "Development" means the construction of an approximate 120,000 square feet warehouse and distribution facility for socks, and other cold weather clothing accessories.
7. "Development District" means Development District No. 2 in the City, created and established pursuant to and in accordance with the Development District Act.
8. "Development District Act" means Minnesota Statutes, Sections 469.124 through 469.133, as amended and supplemented from time to time.
9. "Development Program" means the Development Program for the Development District, as amended and supplemented from time to time.
10. "Public Development Costs" means the cost of the Development, including administrative expenses, and interest as a financing cost, which will be paid or financed with tax increments from the TIF District, but not to exceed the estimated tax increment generated by the development activity expected to occur within the Development District and TIF District.
11. "Property" means the approximate 10 acre site within the TIF District as described in Section 3.03.2 of the TIF Plan.
12. "Project Area" means the geographic area of the Development District.
13. "Project Costs" means Public Development Costs.
14. "School District" means Mankato Area Public Schools ISD 77.
15. "State" means the State of Minnesota.

16. "Tax Increment Bonds" means any tax increment bonds as defined in Section 469.174, subd. 3 of the TIF Act, issued by the City to finance Public Development Costs, and any obligations issued to refund such bonds, pursuant to Section 469.178 of the TIF Act.
17. "TIF Act" means Minnesota Statutes, Sections 469.174 through 469.1794 as amended, both inclusive.
18. "TIF District" means Tax Increment Financing (Economic Development) District No. 2-1 (Gordini).
19. "TIF Plan" means the tax increment financing plan for the TIF District (this document).

SECTION 1.03 EXHIBITS

The following exhibits are attached to and by reference made a part of the Development Program and Tax Increment Financing Plan:

- Exhibit I: Present Value Analysis.
- Exhibit II: Projected Tax Increment
- Exhibit III: Impact on Other Taxing Jurisdictions
- Exhibit IV: Estimated Tax Increment Over Life of District
- Exhibit V: Map of Development District and TIF District

SECTION 1.04 PLAN PREPARATION

This document was prepared for the City by Northland Public Finance, part of Northland Securities, Inc.

ARTICLE II - DEVELOPMENT PROGRAM

SECTION 2.01 OVERVIEW

The City hereby establishes Development District No. 2 and the related Development Program as a tool to achieve the objectives described in Section 2.02. The Development District serves as the "Project Area" for the tax increment financing districts established within its boundaries. The Development Program describes the City's objectives for the development of this area and the use of tax increment financing.

SECTION 2.02 STATEMENT OF OBJECTIVES

The establishment of the Development District pursuant to the Development District Act is necessary and in the best interests of the City and its residents and is necessary to give the City the ability to meet certain public purpose objectives that would not be obtainable in the foreseeable future without intervention by the City in the normal development process.

The City intends, to the extent permitted by law, to accomplish the following objectives through the implementation of the Development Program:

1. Provide for the acquisition of land and construction and financing of the private development in the Development District which are necessary for the orderly and beneficial development of the Development District and adjacent areas of the City.
2. Encourage the redevelopment of blighted and under-utilized areas of the City.

3. Facilitate the removal of deteriorated structures and encourage redevelopment in commercial areas providing high levels of property maintenance and private investment.
4. Provide parking needed to support development and encourage use of shared parking to promote additional private development.
5. Build, maintain improve, and reconstruct public improvements and utilities needed to support development.
6. Promote and secure the prompt and unified development of certain property in the Development District, which property is not now in productive use or in its highest and best use, with a minimum adverse impact on the environment, and thereby promote and secure the desirable development of other land in the City.
7. Promote and secure additional employment opportunities within the Development District and the City for residents of the City and the surrounding area, thereby improving living standards and reducing unemployment and the loss of skilled and unskilled labor and other human resources in the City.
8. Secure the increase in values of property subject to taxation by the City, the School District, the County, and other taxing jurisdictions in order to better enable such entities to pay for governmental services and programs that they are required to provide.
9. Promote the concentration of new unified development consisting of desirable industrial and other appropriate development in the Development District so as to maintain these areas in a manner compatible with its accessibility and prominence in the City.
10. Encourage the expansion and improvement of local business, economic activity and development, whenever possible.
11. Create a desirable and unique character within the Development District through quality land use alternatives and design quality in new buildings.

SECTION 2.03 BOUNDARIES OF DEVELOPMENT DISTRICT

The boundaries of the Development District are conterminous with the municipal boundaries of the City as shown in Exhibit V.

SECTION 2.04 DEVELOPMENT ACTIVITIES

The City will perform or cause to be performed, to the extent permitted by law, all project activities pursuant to the Development District Act, the TIF Act, and other applicable state laws, and in doing so anticipates that the following may, but are not required, to be undertaken by the City:

1. The making of studies, planning, and other formal and informal activities relating to the Development Program.
2. The implementation and administration of the Development Program.
3. The rezoning of land within the Development District.
4. The acquisition of property, or interests in property, by purchase or condemnation, which acquisition is consistent with the objectives of the Development Program.
5. The preparation of property for use and development in accordance with applicable Land Use Regulations and the Development Agreement, including demolition of structures, clearance of sites, placement of fill and grading.
6. The resale of property to private parties.

7. The construction or reconstruction of site improvements to property within a tax increment financing district.
8. The construction, improvement and maintenance of parking facilities.
9. The construction, improvement and maintenance of streets, sidewalks, alleys, and public utilities.
10. The issuance of Tax Increment Bonds to finance the Public Development Costs of the Development Program, and the use of tax increment revenue available to the City to pay or finance the Public Development Costs of a tax increment financing district, as provided in a tax increment financing plan, incurred or to be incurred by it pursuant to the Development Program.
11. The use of tax increment revenue to pay debt service on the Tax Increment Bonds or otherwise pay or reimburse with interest the Public Development Costs of a tax increment financing district, as provided in a tax increment financing plan.

SECTION 2.05 PAYMENT OF PUBLIC DEVELOPMENT COSTS

Public Development Costs and the plan for their payment will be described in the tax increment financing plans for a tax increment financing district. It is anticipated that the Public Development Costs of the Development Program will be paid primarily from tax increment revenues from tax increment financing districts within the Development District. The City reserves the right to utilize other available sources of revenue, including but not limited to special assessments, user charges and financial assistance from other units of government, which the City may apply to pay a portion of the Public Development Costs.

SECTION 2.06 ENVIRONMENTAL CONTROLS; LAND USE REGULATIONS

All municipal actions, public improvements and private development shall be carried out in a manner consistent with existing environmental controls and all applicable land use regulations.

SECTION 2.07 PARK AND OPEN SPACE TO BE CREATED

Park and open space within the Development District, if created, will be created in accordance with the City's Comprehensive Plan and zoning and subdivision ordinances.

SECTION 2.08 PROPOSED REUSE OF PROPERTY

The Development Program provides that the City or Authority may acquire property and reconvey the same to another entity. All parcels in the Development District are eligible for acquisition. In acquiring land, the City will require the execution of a binding development agreement with respect thereto and evidence that tax increment revenues or other funds will be available to repay the costs associated with the proposed acquisition of property. It is the intent of the City to negotiate the acquisition of property whenever possible. Appropriate restrictions regarding the reuse and redevelopment of property shall be incorporated into any development agreement to which the City is a party.

SECTION 2.09 ADMINISTRATION AND MAINTENANCE OF DEVELOPMENT DISTRICT

Maintenance and operation of the Development District will be the responsibility of the City Administrator or designee of the City who shall serve as administrator of the Development District for the City. Each year the Administrator will submit to the City the maintenance and operation budget for the following year.

The Administrator will administer the Development District pursuant to the provisions of Section 469.131 of the Development District Act; provided, however, that such powers may only be exercised at the direction of the City Council. No action taken by the Administrator pursuant to the above-mentioned powers shall be effective without authorization by the City Council.

SECTION 2.10 AMENDMENTS

The City reserves the right to alter and amend the Development Program, subject to the provisions of state law regulating such action. The City specifically reserves the right to enlarge or reduce the size of the Development District, the Development Program and the Public Development Costs of the Development Program.

ARTICLE III - TAX INCREMENT FINANCING DISTRICT AND PLAN

SECTION 3.01 STATUTORY AUTHORITY

Tax Increment Financing (Economic Development) District No. 2-1 and the TIF Plan are established under the authority of the TIF Act.

SECTION 3.02 PLANNED DEVELOPMENT

3.02.1 Statement of Objectives

The objectives which the City seeks to achieve through the implementation of the TIF District are set out in the Development Program.

3.02.2 Development Program

In addition to achieving the objectives of the City's plans and Development Program, the proposed development is consistent with and works to achieve the development objectives of the City. The TIF Plan for the TIF District conforms to the general plan for development of the City as a whole.

3.02.3 Development Description

The Project within the TIF District includes the construction of an approximate 120,000 square feet warehouse and distribution facility for socks, and other cold weather clothing accessories.

3.02.4 City Plans and Development Program

In addition to achieving the objectives of the Development Program, the Development is consistent with and works to achieve the development objectives of the City. The TIF Plan for the TIF District conforms to the general plan for development of the City as a whole.

3.02.5 Property Acquisition

The City does not plan to acquire property within the TIF District. At time of establishment of the TIF District the Authority owns the Property within the TIF District. The Authority plans to convey the Property for the purpose of economic development.

3.02.6 *Development Activities*

As of the date of approval of the TIF Plan, there are no development activities proposed in the TIF Plan that are subject to contracts.

3.02.7 *Need for Tax Increment Financing*

In the opinion of the City, the Development would not reasonably be expected to occur solely through private investment within the foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the Development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan.

The reasons and facts supporting this finding include the following:

- The Development requires public financial assistance to offset the cost of land acquisition, site improvements, and utilities to allow for the Developer to proceed with construction of the Development.
- The Developer has represented that the Development is necessary to retain its current operations in Minnesota, to expand its business and increase jobs in Minnesota, and to increase the tax base in Minnesota.
- A comparative analysis of estimated market values both with and without establishment of the TIF District and the use of tax increments has been performed as described above and is shown in Exhibit I. This analysis indicates that the increase in estimated market value of the proposed development (less the present value of the projected tax increments for the maximum duration permitted by the TIF Plan) exceeds the estimated market value of the site prior to the establishment of the TIF District.

SECTION 3.03 TAX INCREMENT FINANCING DISTRICT

3.03.1 *Designation*

The TIF District is designated Tax Increment Financing (Economic Development) District No. 2-1 (Gordini).

3.03.2 *Boundaries of TIF District*

The TIF District includes a portion, an approximate 10 acre site (the "Property"), of an approximate 12.57 acre property identified as parcel 18.312.0010 located in the City within Nicollet County and encompasses all adjacent rights-of-way and abutting roadways to the property.

The boundaries of the TIF District are shown in Exhibit V. The Property will be platted prior to the City submitting a request for certification of the TIF District to the County. The Property in the TIF District is described as follows:

- Lot 2 , Block 1, Northport No. 22

3.03.3 *Type of District*

The TIF District is established as an "economic development" district pursuant to Sections 469.174 subd. 12, and 469.176, subd. 4c, of the TIF Act.

The TIF Act allow tax increments from an economic development district as a tax increment financing district that consists of any project or portions of a project which the City finds to be in the public interest because:

- (1) it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality;
- (2) it will result in increased employment in the state;

- (3) it will result in preservation and enhancement of the tax base of the state; or
- (4) it satisfies the requirements of a workforce housing project under Section 469.176, subd. 4c, paragraph (d) of the TIF Act.

The City finds the Development to be in the public interest because it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality, it will result in increased employment in the state and it will result in preservation and enhancement of the tax base of the state.

Revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if more than 15 percent of the buildings and facilities (determined on the basis of square footage) are used for a purpose other than:

- (1) the manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property;
- (2) warehousing, storage, and distribution of tangible personal property, excluding retail sales;
- (3) research and development related to the activities listed in clause (1) or (2);
- (4) telemarketing if that activity is the exclusive use of the property;
- (5) tourism facilities;
- (6) space necessary for and related to the activities listed in clauses (1) to (5) or
- (7) a workforce housing project that satisfies the requirements of Section 496.176, subd. 4c, paragraph (d) of the TIF Act.

The Development will be used for the purpose of warehousing and distribution of tangible personal property, and 100% of the planned building will be used for this purpose. The Development is a qualified facility and meets these requirements in the TIF Act.

SECTION 3.04 PLAN FOR USE OF TAX INCREMENT

3.04.1 *Estimated Tax Increment*

The original tax capacity of value of the TIF District will be set by the County upon request for certification. The original tax capacity value may change over time based on the use and tax classification of each parcel. For the purposes of the TIF Plan, the estimated original tax capacity is estimated at \$11,257 based on the estimated market value of \$562,848 of the Property as described in Section 3.03.2 of the TIF Plan.

The total tax capacity value of the property after completion of the Development is estimated to be \$192,000. This amount is based on a total estimated market value of \$9,600,000 classified as commercial property. The market value amount is an estimates for purpose of estimating tax increment for the TIF Plan. The actual market value, as will be assessed by the County, will vary from this estimate.

The difference between the total tax capacity value and the original tax capacity value is the captured tax capacity value for the creation of tax increment. It is the City's intent to retain 100% of the captured tax capacity value for the life of the TIF district.

The original tax rate for the TIF District, as certified by the auditor of the County, will be the sum of all the local tax rates excluding that portion of the school rate attributable to the general education levy (under Minnesota Statutes Section 126C.13) that apply to property in the district. Tax increment estimates included in the TIF Plan are based on a local tax rate of 126.15%, which

is the local tax rate for taxes payable in 2022. The original tax rate for the District will be based on the current tax rate based on the actual certification date for the TIF District and will vary from the tax rate used to estimate tax increment in the TIF Plan.

Pursuant to Section 469.177, subd. 2 of the TIF Act, it is found and declared that all of the captured tax capacity generated within the TIF District is necessary to finance or otherwise make permissible expenditures authorized by Section 469.176, subd. 4 of the TIF Act.

Under these assumptions, the estimated annual tax increment upon completion of the Development is \$227,181 (after deducting the State Auditor's Office fee of 0.36% of the tax increment distribution) in the first year of tax increment collection. The actual tax increment will vary according to the certified original tax capacity value and original tax rate, the actual property value produced by the proposed development and the changes in property value and state laws that govern calculation of property taxes over the life of the district. Exhibit II contains the projected tax increment over the life of the TIF District.

3.04.2 Public Development Costs

The City plans to use tax increment to pay the Public Development Costs. The Public Development Costs eligible for reimbursement from tax increment pursuant to the TIF Act may include land acquisition, site improvements and preparation costs, utilities, other qualified costs, and costs related to the establishment of the TIF District and other administration costs.

3.04.3 Estimated Sources and Uses of Funds

The estimated sources of revenue, along with the Public Development Costs of the TIF District, are itemized in Figure 3-1. These estimates are based on the best available information for the sources and uses of funds. Such costs are eligible for reimbursement from tax increment from the TIF District. The City reserves the right to administratively adjust the amount of any of the Project Cost line items listed in Figure 3-1, so long as the "Total Estimated Project Costs" is not increased, not including interest expense.

Figure 3.1
City of North Mankato
Tax Increment Financing District No. 2-1
TIF Plan Estimated Sources and Uses of Funds for Public Development Costs
Gordini - Warehousing and Distribution

	Total
Estimated Tax Increment Revenues (from tax increment generated by the district)	
Tax increment revenues distributed from the county	\$2,133,566
Interest and investment earnings	\$50,000
Total Estimated Tax Increment Revenues	\$2,183,566
Estimated Project/Financing Costs (to be paid or financed with tax increment)	
Project costs	
Land/building acquisition	\$700,000
Site improvements/preparation costs	\$560,000
Utilities	\$365,000
Other qualifying improvements	\$0
Administrative costs	\$44,214
Estimated Tax Increment Project Costs	\$1,669,214
Estimated financing costs	
Interest expense	\$514,352
Total Estimated Project/Financing Costs to be Paid from Tax Increment	\$2,183,566
Estimated Financing	
Total amount of bonds to be issued	\$1,669,214

3.04.4 Administrative Expense

The City will use tax increments to pay for and reimburse the City for costs of administering the TIF District and interest expense pursuant to the limitations within the TIF Act. The TIF Act provides that not more than 10 percent of the tax increment revenues distributed from the County may be used to pay administrative expense. Anticipated administrative expenses of the TIF District include annual audit of the fund for TIF District, preparation of annual reporting, legal publication of annual report, and administration of the development agreement. The City may also reimburse itself for costs associated with the establishment of the TIF District.

3.04.5 County Road Costs

The Development will not substantially increase the use of county roads and necessitate the need to use tax increments to pay for county road improvements.

3.04.6 Bonded Indebtedness

Tax Increment Bonds issued in connection with “any project for which tax increment financing has been undertaken” must be one of the types of bonds expressly authorized by Section 469.178 of the TIF Act. The types of bonds include general obligation bonds supported by tax increment, revenue bonds (including pay-as-you-go, or PAYG, obligations); and interfund loans or advances.

The total amount of bonds estimated to be issued to pay Public Development Costs is shown in Figure 3.1. The City does not intend (but reserves the authority) to issue general obligation bonds as a result of the TIF Plan. The City plans to use tax increments to reimburse itself for administrative costs and to reimburse the Developer on a pay-go basis for certain Public Development Costs, with interest.

The City plans to approve an interfund loan to reimburse itself for Public Development Costs it will incur for utility (storm water) improvements for the Development. The City may advance or loan money to finance expenditures, under Section 469.176, subd. 4 of the TIF Act, from the general funds of the City or any other legally authorized fund to finance qualified expenditures, subject to the following provisions:

- (a) Not later than 60 days after money is transferred, advanced, or spent, whichever is earliest, the loan or advance must be authorized by resolution of the City or of the Authority, whichever has jurisdiction over the fund from which the advance or loan is authorized.
- (b) The resolution may generally grant to the City the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The resolution may be adopted before or after the adoption of the tax increment financing plan or the creation of the tax increment financing district from which the advance or loan is to be repaid.
- (c) The terms and conditions for repayment of the loan must be provided in writing. The written terms and conditions may be in any form, but must include, at a minimum, the principal amount, the interest rate, and maximum term. Written terms may be modified or amended in writing by the City before the latest decertification of any tax increment financing district from which the interfund loan is to be repaid. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under Minnesota Statutes, Section 270C.40 or 549.09 as of the date the loan or advance is authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under Minnesota Statutes, Section 270C.40 or 549.09 are from time to time adjusted. Loans or advances may be structured as draw-down or line-of-credit obligations of the lending fund.
- (d) The City shall report in the annual report submitted under Section 469.175, subd. 6 of the TIF Act: (1) the amount of any interfund loan or advance made in a calendar year; and (2) any amendment of an interfund loan or advance made in a calendar year.

3.04.7 *Duration of TIF District*

The duration to collect and spend tax increments on eligible purposes is set at the maximum duration of eight (8) years after the date of receipt of the first tax increment or nine (9) years of tax increment collection. The estimated first year of tax increment collect is 2025. The estimated decertification date is 12/31/2033.

3.04.8 *Estimated Impact on Other Taxing Jurisdictions*

Exhibits III and IV show the estimated impact on other taxing jurisdictions if the maximum projected retained captured net tax capacity of the TIF District was hypothetically available to the other taxing jurisdictions. The City finds that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified and the development therein becomes part of the general tax base.

The City anticipates minimal impact of the proposed development on city-provided services. A slight increase in water and sewer usage is expected. It is anticipated that there may be a slight but manageable increase in police and fire protection duties due to the development.

3.04.9 *Prior Planned Improvements*

There have been no building permits issued in the last 18 months in conjunction with any of the properties within the TIF District. The City will include this statement with the request for certification to the County Auditor. If building permits had been issued during this time period, then the County Auditor would increase the original net tax capacity of the TIF District by the net tax capacity of each improvement for which a building permit was issued.

ARTICLE IV – ADMINISTERING THE TIF DISTRICT

SECTION 4.01 FILING AND CERTIFICATION

The filing and certification of the TIF Plan consists of the following steps:

1. Upon adoption of the TIF Plan, the City shall submit a copy of the TIF Plan to the Minnesota Department of Revenue and the Office of the State Auditor.
2. The City shall request that the auditor of the County to certify the original net tax capacity and net tax capacity rate of the TIF District. To assist the auditor in this process, the City shall submit copies of the TIF Plan, the resolution establishing the TIF District and adopting the TIF Plan, and a listing of any prior planned improvements.

SECTION 4.02 MODIFICATIONS OF THE TAX INCREMENT FINANCING PLAN

The City reserves the right to modify the TIF District and the TIF Plan. Pursuant to the TIF Act, the following actions can only be approved after satisfying all the necessary requirements for approval of the original TIF Plan (including notifications and public hearing):

- Reduction or enlargement in the geographic area of the Development District or the TIF District.
- Increase in the amount of bonded indebtedness to be incurred.
- Increase in the amount of capitalized interest.
- Increase in that portion of the captured net tax capacity to be retained by the City.
- Increase in the total estimated Project Costs.
- Designation of additional property to be acquired by the City.

Other modifications can be made by resolution of the City Council. In addition, the original approval process does not apply if (1) the only modification is elimination of parcels from the TIF District and (2) the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's original net tax capacity, or the City agrees that the TIF District's original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

The City must notify the auditor of the County of any modification that reduces or enlarges the geographic area of the TIF District. The geographic area of the TIF District may be reduced but not enlarged after five years following the date of certification.

SECTION 4.03 FOUR-YEAR KNOCKDOWN RULE

Pursuant to Section 469.176, subd. 6 of the TIF Act, the Four-Year Knockdown Rule requires that if after four years from certification of the TIF District no demolition, rehabilitation, renovation or site improvement, including a qualified improvement of an adjacent street, has commenced on a parcel located within the TIF District, then that parcel shall be excluded from the TIF District and the original net tax capacity shall be adjusted accordingly. Qualified improvements of a street are limited to construction or opening of a new street, relocation of a street, or substantial reconstruction or rebuilding of an existing street. The City must submit to the auditor of the County, by February 1 of the fifth year, evidence that the required activity has taken place for each parcel in the TIF District.

If a parcel is excluded from the TIF District and the City or owner of the parcel subsequently commences any of the above activities, the City shall certify to the auditor of the County that such activity has commenced and the parcel shall once again be included in the TIF District. The auditor of the County shall certify the net tax capacity of the parcel, as most recently certified by the Commissioner of Revenue of the State, and add such amount to the original net tax capacity of the TIF District.

SECTION 4.04 FIVE-YEAR RULE AND SIX-YEAR RULE

The TIF Act was amended in 1990 to include a Five-Year Rule and a Six-Year Rule, pursuant to Section 469.1763 of the TIF Act. Five-Year Rule and the Six-Year Rule were enacted at the same time and in the same bill as Pooling Restrictions (see 1990 Laws of Minnesota). The TIF District is subject to the Five-Year Rule and Six-Year Rule.

The City plans that revenues derived from tax increments paid by properties in the TIF District will be spent only to assist the Development directly, including administrative expenses. The tax increment financing assistance is necessary for the Development, and all of the increments, except those for administrative expenses, will be spent only for activities within the boundaries of the TIF District.

Revenues derived from tax increments paid by properties in the TIF District are considered to have been "spent" within the TIF District if such amounts are:

- actually paid to a third party for activities performed within the TIF District within five years after certification of the district;
- used to pay bonds that were issued and sold to a third party, the proceeds of which are reasonably expected on the date of issuance to be spent within the later of the five-year period or a reasonable temporary period or are deposited in a reasonably required reserve or replacement fund.
- used to make payments or reimbursements to a third party under binding contracts for activities performed within the TIF District, which were entered into within five years after certification of the district; or

- used to reimburse a party for payment of eligible costs (including interest) incurred within five years from certification of the district.

It is anticipated that all revenues derived from tax increments paid by properties in the TIF District will be spent or obligated within this time period, except for administrative expenses. Unless the TIF Plan is modified within this five-year period and additional expenditures are authorized, revenues derived from tax increments paid by properties in the TIF District will only be used to pay for authorized Public Development Costs as shown in Figure 3.1.

SECTION 4.05 FINANCIAL REPORTING AND DISCLOSURE REQUIREMENTS

The City will comply with the annual reporting requirements of state law pursuant to the guidelines of the Office of the State Auditor. Under current law, the City must prepare and submit a report on the TIF District on or before August 1 of each year. The City must also annually publish in a newspaper of general circulation in the City an annual statement for each tax increment financing district.

The reporting and disclosure requirements outlined in this section begin with the year the district was certified, and shall end in the year in which both the district has been decertified and all tax increments have been spent or returned to the county for redistribution. Failure to meet these requirements, as determined by the State Auditors Office, may result in suspension of distribution of tax increment.

SECTION 4.06 BUSINESS SUBSIDY COMPLIANCE

The City will comply with the business subsidies requirements specified in Minnesota Statutes, Sections 116J.993 to 116J.995.

Exhibit I
City of North Mankato
Tax Increment Financing District No. 2-1
Present Value Analysis As Required By Section
469.175(3)(2) of the TIF Act

1 Estimated Future Market Value w/ Tax Increment Financing	10,395,424 ¹
2 Payable 2022 Market Value	<u>562,848</u>
3 Market Value Increase (1-2)	9,832,576
4 Present Value of Future Tax Increments	<u>1,697,669</u>
5 Market Value Increase Less PV of Tax Increments	8,134,907
6 Estimated Future Market Value w/o Tax Increment Financing	609,484 ¹
7 Payable 2022 Market Value	<u>562,848</u>
8 Market Value Increase (6-7)	<u>46,636</u>
9 Increase in MV From TIF	<u><u>8,088,272</u></u> ²

¹ Assume 1.00% annual appreciation over 9 year life of district.

² Statutory compliance achieved if increase in market value from TIF (Line 9) is greater than or equal to zero.

Exhibit II
City of North Mankato
Tax Increment Financing District No. 2-1 (Economic Development)
Gordini - Warehousing and Distribution
Projected Tax Increment Financing (TIF) Cash Flow

TIF District Year	Taxes Payable Year	Taxable Market Value (TMV)	Tax Capacity	Original Base Tax Capacity	Captured Tax Capacity for TIF	Original Tax Rate	Captured TIF	Less State Fee	TIF from District	PV Available TIF from District
1	2025	9,600,000	192,000	11,257	180,743	126.15%	228,002	(821)	227,181	211,281
2	2026	9,696,000	193,920	11,257	182,663	126.15%	230,424	(830)	229,594	416,514
3	2027	9,792,960	195,859	11,257	184,602	126.15%	232,870	(838)	232,032	615,872
4	2028	9,890,890	197,818	11,257	186,561	126.15%	235,341	(847)	234,494	809,522
5	2029	9,989,798	199,796	11,257	188,539	126.15%	237,836	(856)	236,980	997,626
6	2030	10,089,696	201,794	11,257	190,537	126.15%	240,357	(865)	239,492	1,180,342
7	2031	10,190,593	203,812	11,257	192,555	126.15%	242,902	(874)	242,028	1,357,822
8	2032	10,292,499	205,850	11,257	194,593	126.15%	245,473	(884)	244,589	1,530,216
9	2033	10,395,424	207,908	11,257	196,652	126.15%	248,070	(893)	247,177	1,697,669
TOTAL =							2,141,275	(7,709)	2,133,566	1,697,669

Key Assumptions:

- 1 Taxable market value (TMV) annual growth assumption = 1.0%
- 2 Original Tax Capacity Rate is estimated based on Taxes Payable Year 2022 . The original tax rate will be certified by the county auditor and will be based on Pay 2023 rate, if the request for certification of the TIF District is submitted prior to June 30, 2023.
- 3 Election for captured tax capacity is 100.00%
- 4 Base Tax Capacity calculated based on preliminary estimated TMV of \$562,848 for an approximate 10-acres of land.
- 5 Present Value (PV) calculated based on semi-annual payments and estimated 4.0% rate, dated date 1/1/2024.
- 6 TIF from District is the estimated tax increment generated from the TIF district after deduction of State Auditor fee.

Exhibit III
City of North Mankato
Tax Increment Financing District No. 2-1
Impact on Other Taxing Jurisdictions
(Taxes Payable 2022)

Annual Tax Increment

Estimated Annual Captured Tax Capacity (Full Development)	\$196,652
Payable 2022 Local Tax Rate	126.147%
Estimated Annual Tax Increment	<u>\$248,070</u>

Percent of Tax Base

	Net Tax Capacity (NTC)	Captured Tax Capacity	Percent of Total NTC
City of North Mankato	13,679,965	196,652	1.44%
Nicollet County	41,585,442	196,652	0.47%
ISD 77	75,734,950	196,652	0.26%

Dollar Impact of Affected Taxing Jurisdictions

	Net Tax Capacity (NTC)	% of Total	Tax Increment Share	Added Local Tax Rate
City of North Mankato	47.833%	37.918%	94,064	0.688%
Nicollet County	55.611%	44.084%	109,360	0.263%
ISD 77	22.272%	17.656%	43,798	0.058%
Other	0.431%	0.342%	848	
Totals	<u>126.147%</u>	<u>100.000%</u>	<u>248,070</u>	

NOTE NO. 1: Assuming that ALL of the captured tax capacity would be available to all taxing jurisdictions even if the City does not create the Tax Increment District, the creation of the District will reduce tax capacities and increase the local tax rate as illustrated in the above tables.

NOTE NO. 2: Assuming that NONE of the captured tax capacity would be available to the taxing jurisdiction if the City did not create the Tax Increment District, then the plan has virtually no initial effect on the tax capacities of the taxing jurisdictions. However, once the District is established, allowable costs paid from the increments, and the District is terminated, all taxing jurisdictions will experience an increase in their tax base.

NOTE NO. 3: The amounts included in Exhibit III for NTC are from page 8 and page 10 of the County's Official Statement for Bond Series, 2020A. The City has requested the County to provide current NTC to be included here in Exhibit III.

DEVELOPMENT DISTRICT NO. 2 AND TAX INCREMENT FINANCING DISTRICT NO. 2-1

Exhibit IV
City of North Mankato
Tax Increment Financing (Economic Development) District No. 2-1
Estimated Tax Increments Over Maximum Life of District

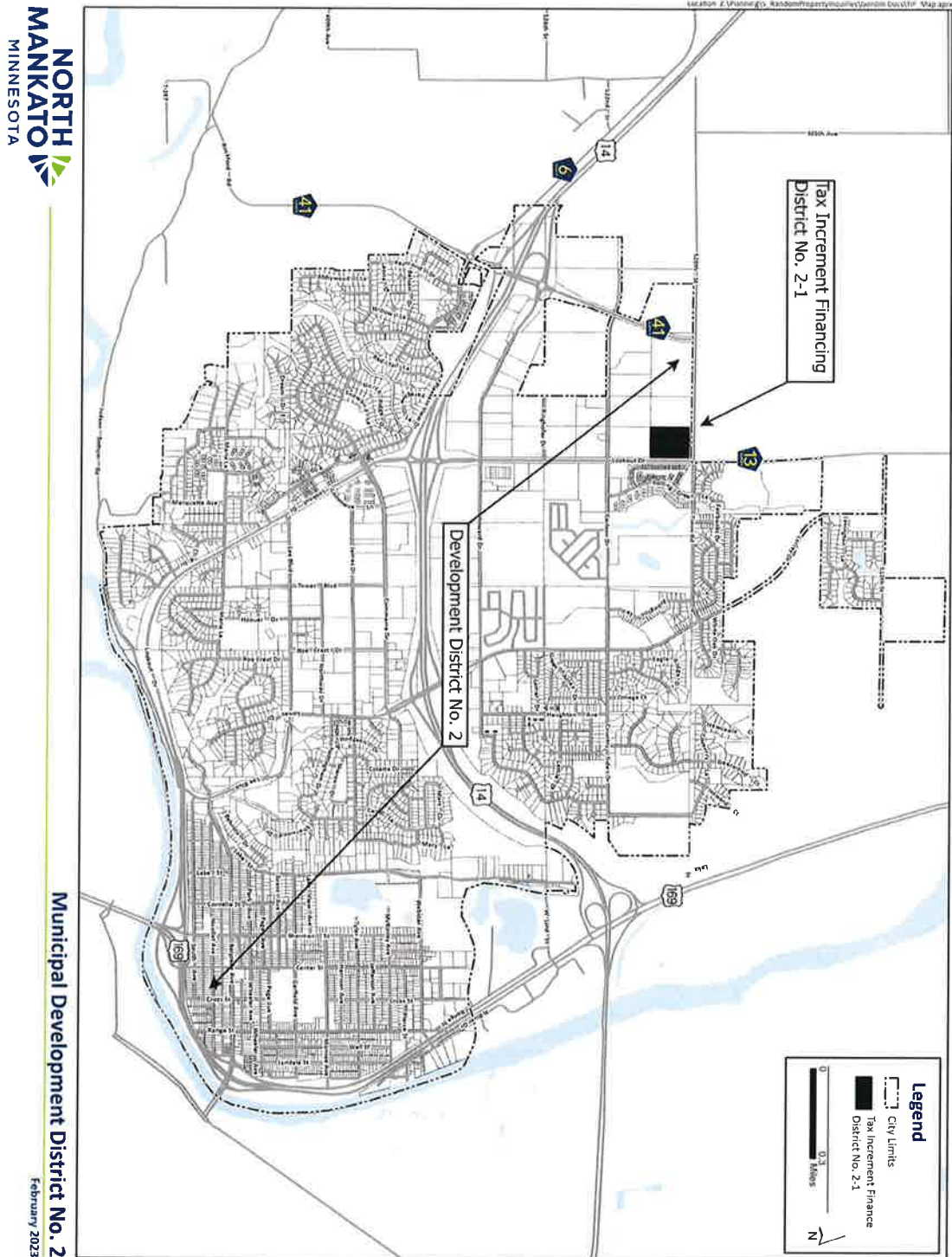
Based on Pay 2022 Tax Rate = 126.147% 47.833% 55.611% 22.272% 0.431%

TIF District Year	Taxes Payable Year	New Taxable Market Value	New Tax Capacity	Base Tax Capacity	Captured Tax Capacity	Estimated Total Tax Increments	City TIF Related Share	County TIF Related Share	School TIF Related Share	Other TIF Related Share
1	2025	9,600,000	192,000	11,257	180,743	228,002	86,455	100,513	40,255	779
2	2026	9,696,000	193,920	11,257	182,663	230,424	87,373	101,581	40,683	787
3	2027	9,792,960	195,859	11,257	184,602	232,870	88,301	102,659	41,115	795
4	2028	9,890,890	197,818	11,257	186,561	235,341	89,238	103,748	41,551	804
5	2029	9,989,798	199,796	11,257	188,539	237,836	90,184	104,848	41,991	813
6	2030	10,089,696	201,794	11,257	190,537	240,357	91,140	105,960	42,436	821
7	2031	10,190,593	203,812	11,257	192,555	242,902	92,105	107,082	42,886	829
8	2032	10,292,499	205,850	11,257	194,593	245,473	93,080	108,215	43,340	838
9	2033	10,395,424	207,908	11,257	196,652	248,070	94,064	109,360	43,798	848
Total						2,141,275	811,940	943,966	378,055	7,314

Note: The Estimated Total Tax Increment shown above is before deducting the State Auditor's fee, which is payable at a rate of 0.36% of the Total Tax Increment collected. Exhibit II provides Estimated Total Tax Increment after deducting for the State Auditor's fee.

Exhibit V

Boundaries of Development District and TIF District



CITY OF NORTH MANKATO

REQUEST FOR COUNCIL ACTION



Agenda Item # 11B	Dept: Administration	Council Meeting Date: 3/20/23
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TITLE OF ISSUE: Consider Resolution Authorizing North Mankato City Staff to Execute all Necessary Documents to Ensure North Mankato City Participation in the Multistate Settlements Relating to Opioid Supply Chain Participants in Minnesota Opioids State-Subdivision Memorandum of Agreement.

BACKGROUND AND SUPPLEMENTAL INFORMATION: City Administrator McCann will review the agreement.

If additional space is required, attach a separate sheet

REQUESTED COUNCIL ACTION: Adopt Resolution Authorizing North Mankato City Staff to Execute all Necessary Documents to Ensure North Mankato City Participation in the Multistate Settlements Relating to Opioid Supply Chain Participants in Minnesota Opioids State-Subdivision Memorandum of Agreement.

For Clerk's Use:

Motion By: _____

Second By: _____

Vote Record:

Aye

Nay

_____	_____	Whitlock
_____	_____	Steiner
_____	_____	Oachs
_____	_____	Peterson
_____	_____	Carlson

SUPPORTING DOCUMENTS ATTACHED

Resolution Ordinance Contract Minutes Map

☒ X

☐

☐

☐

☐

Other (specify) _____

☐

Workshop

☒

Regular Meeting

☐

Special Meeting

☐

Refer to: _____

☐

Table until: _____

☐

Other: _____

RESOLUTION AUTHORIZING NORTH MANKATO CITY STAFF TO EXECUTE ALL NECESSARY DOCUMENTS TO ENSURE NORTH MANKATO CITY PARTICIPATION IN THE MULTISTATE SETTLEMENTS RELATING TO OPIOID SUPPLY CHAIN PARTICIPANTS IN MINNESOTA OPIOIDS STATE-SUBDIVISION MEMORANDUM OF AGREEMENT.

WHEREAS, the State of Minnesota and numerous Minnesota cities and counties are engaged in nationwide civil litigation against opioid supply chain participants related to the opioid crisis; and

WHEREAS, the Minnesota Attorney General has signed on to multistate settlement agreements with several opioid supply chain participants, but those settlement agreements are still subject to sign-on by local governments and final agreement by the companies and approval by the courts; and

WHEREAS, for the April 2023 agreements there is a deadline of April 18 2023, for a sufficient threshold of Minnesota cities and counties to sign on to the above-referenced multistate settlement agreements, and failure to timely sign on may diminish the amount of funds received by not only that city or county but by all Minnesota cities and counties from the settlement funds; and

WHEREAS, representatives of Minnesota's local governments, the Office of the Attorney General, and the State of Minnesota have reached agreement on the intrastate allocation of these settlement funds between the State, and the counties and cities, as well as the permissible uses of these funds, which will be memorialized in the Minnesota Opioids State-Subdivision Memorandum of Agreement, as amended (the "State-Subdivision Agreement"); and

WHEREAS, the State-Subdivision Agreement creates an opportunity for local governments and the State to work collaboratively on a unified vision to deliver a robust abatement and remediation plan to address the opioid crisis in Minnesota;

NOW, THEREFORE, BE IT RESOLVED, the City of North Mankato supports and agrees to the State-Subdivision Agreement; and

BE IT FURTHER RESOLVED, the City of North Mankato supports and opts into the April 2023 multistate agreement and all future multistate settlement agreements with opioid supply chain participants; and

BE IT FURTHER RESOLVED, the City of North Mankato authorizes City staff to execute all necessary documents to ensure the City of North Mankato's participation in the multistate settlement agreements, including Participation Agreement(s) and accompanying Release(s), and the State-Subdivision Agreement(s), unless and until such authority is revoked.

Mayor

ATTEST:

City Clerk

AMENDED MINNESOTA OPIOIDS STATE-SUBDIVISION MEMORANDUM OF AGREEMENT

WHEREAS, the State of Minnesota, Minnesota counties and cities, and their people have been harmed by misconduct committed by certain entities that engage in or have engaged in the manufacture, marketing, promotion, distribution, or dispensing of an opioid analgesic;

WHEREAS, certain Minnesota counties and cities, through their counsel, and the State, through its Attorney General, are separately engaged in ongoing investigations, litigation, and settlement discussions seeking to hold opioid manufacturers and distributors accountable for the damage caused by their misconduct;

WHEREAS, the State and Local Governments share a common desire to abate and alleviate the impacts of the misconduct described above throughout Minnesota;

WHEREAS, while the State and Local Governments recognize the sums which may be available from the aforementioned litigation will likely be insufficient to fully abate the public health crisis caused by the opioid epidemic, they share a common interest in dedicating the most resources possible to the abatement effort;

WHEREAS, the investigations and litigation with several companies have resulted in National Settlement Agreements with those companies, which the State has already committed to join;

WHEREAS, Minnesota's share of settlement funds from the National Settlement Agreements will be maximized only if all Minnesota counties, and cities of a certain size, participate in the settlements;

WHEREAS, the National Settlement Agreements will set a default allocation between each state and its political subdivisions unless they enter into a state-specific agreement regarding the distribution and use of settlement amounts;

WHEREAS, this Amended Memorandum of Agreement is intended to facilitate compliance by the State and by the Local Governments with the terms of the National Settlement Agreements and is intended to serve as a State-Subdivision Agreement under the National Settlement Agreements;

WHEREAS, this Amended Memorandum of Agreement is also intended to serve as a State-Subdivision Agreement under resolutions of claims concerning alleged misconduct in the manufacture, marketing, promotion, distribution, or dispensing of an opioid analgesic entered in bankruptcy court that provide for payments (including payments through a trust) to both the State and Minnesota counties and cities and allow for the allocation between a state and its political subdivisions to be set through a state-specific agreement; and

WHEREAS, specifically, this Amended Memorandum of Agreement is intended to serve under the Bankruptcy Resolutions concerning Purdue Pharma, Mallinckrodt, and Endo as a qualifying Statewide Abatement Agreement.

I. Definitions

As used in this MOA (including the preamble above):

“Approved Uses” shall mean forward-looking strategies, programming, and services to abate the opioid epidemic that fall within the list of uses on **Exhibit A**. Consistent with the terms of the National Settlement Agreements and Bankruptcy Resolutions, “Approved Uses” shall include the reasonable administrative expenses associated with overseeing and administering Opioid Settlement Funds. Reimbursement by the State or Local Governments for past expenses are not Approved Uses.

“Backstop Fund” is defined in Section VI.B below.

“Bankruptcy Defendants” mean any Opioid Supply Chain Participants that have filed for federal bankruptcy protection, including, but not limited to, Purdue Pharma L.P., Mallinckrodt plc, and Endo International plc.

“Bankruptcy Resolution(s)” means resolutions of claims concerning alleged misconduct in manufacture, marketing, promotion, distribution, or dispensing of an opioid analgesic by the Bankruptcy Defendants entered in bankruptcy court that provide for payments (including payments through a trust) to both the State and Minnesota counties and municipalities and allow for the allocation between the state and its political subdivisions to be set through a state-specific agreement.

“Counsel” is defined in Section VI.B below.

“County Area” shall mean a county in the State of Minnesota plus the Local Governments, or portion of any Local Government, within that county.

“Governing Body” means (1) for a county, the county commissioners of the county, and (2) for a municipality, the elected city council or the equivalent legislative body for the municipality.

“Legislative Modification” is defined in Section II.C below.

“Litigating Local Governments” mean a Local Government that filed an opioid lawsuit(s) on or before December 3, 2021, as defined in Section VI.B below.

“Local Abatement Funds” are defined in Section II.B below.

“Local Government” means all Minnesota political subdivisions within the geographic boundaries of the state of Minnesota.

“MDL Matter” means the matter captioned *In re National Prescription Opiate Litigation*, MDL 2804, pending in the United States District Court for the Northern District of Ohio.

“Memorandum of Agreement” or “MOA” means this agreement, the Amended Minnesota Opioids State-Subdivision Memorandum of Agreement.

“National Settlement Agreements” means a national opioid settlement agreement with the Parties and one or more Opioid Supply Chain Participants concerning alleged misconduct in manufacture, marketing, promotion, distribution, or dispensing of an opioid analgesic, which includes structural or payment provisions requiring or anticipating the participation of both the State and its political subdivisions in the national opioid settlement agreement and allows for the allocation of Opioid Settlement Funds between the State and its political subdivisions to be set through a state-specific agreement.

“Opioid Settlement Funds” shall mean all funds allocated by the National Settlement Agreements and any Bankruptcy Resolutions to the State and Local Governments for purposes of opioid remediation activities or restitution, as well as any repayment of those funds and any interest or investment earnings that may accrue as those funds are temporarily held before being expended on opioid remediation strategies.

“Opioid Supply Chain Participants” means entities that engage in, have engaged in, or have provided consultation services regarding the manufacture, marketing, promotion, distribution, or dispensing of an opioid analgesic, including, but not limited to, Janssen, AmerisourceBergen, Cardinal Health, McKesson, Teva Pharmaceuticals, Allergan plc, CVS Health Corporation, Walgreens Boots Alliance, Inc., and Walmart Inc. “Opioid Supply Chain Participants” also means all subsidiaries, affiliates, officers, directors, employees, or agents of such entities.

“Parties” means the State and the Participating Local Governments.

“Participating Local Government” means a political subdivision within the geographic boundaries of the State of Minnesota that has signed this Memorandum of Agreement and has executed a release of claims by signing on to the National Settlement Agreements. For the avoidance of doubt, a Local Government must sign this MOA to become a “Participating Local Government.”

“Region” is defined in Section II.H below.

“State” means the State of Minnesota by and through its Attorney General, Keith Ellison.

“State Abatement Fund” is defined in Section II.B below.

II. Allocation of Settlement Proceeds

- A. Method of distribution. Pursuant to the National Settlement Agreements and any Bankruptcy Resolutions, Opioid Settlement Funds shall be distributed directly to the State and directly to Participating Local Governments in such proportions and for such uses as set forth in this MOA, provided Opioid Settlement Funds shall not be considered funds of

the State or any Participating Local Government unless and until such time as each distribution is made.

B. Overall allocation of funds. Opioid Settlement Funds will be initially allocated as follows: (i) 25% directly to the State ("State Abatement Fund"), and (ii) 75% directly to abatement funds established by Participating Local Governments ("Local Abatement Funds"). This initial allocation is subject to modification by Sections II.F, II.G, and II.H, below.

C. Statutory change.

1. The Parties agree to work together in good faith to propose and lobby for legislation in the 2022 Minnesota legislative session to modify the distribution of the State's Opiate Epidemic Response Fund under Minnesota Statutes section 256.043, subd. 3(d), so that "50 percent of the remaining amount" is no longer appropriated to county social services, as related to Opioid Settlement Funds that are ultimately placed into the Minnesota Opiate Epidemic Response Fund ("Legislative Modification").¹ Such efforts include, but are not limited to, providing testimony and letters in support of the Legislative Modification.

2. It is the intent of the Parties that the Legislative Modification would affect only the county share under section 256.043, subd. 3(d), and would not impact the provision of funds to tribal social service agencies. Further, it is the intent of the Parties that the Legislative Modification would relate only to disposition of Opioid Settlement Funds and is not predicated on a change to the distribution of the Board of Pharmacy fee revenue that is deposited into the Opiate Epidemic Response Fund.

D. Bill Drafting Workgroup. The Parties will work together to convene a Bill Drafting Workgroup to recommend draft legislation to achieve this Legislative Modification. The Workgroup will meet as often as practicable in December 2021 and January 2022 until recommended language is completed. Invitations to participate in the group shall be extended to the League of Minnesota Cities, the Association of Minnesota Counties, the Coalition of Greater Minnesota Cities, state agencies, the Governor's Office, the Attorney General's Office, the Opioid Epidemic Response Advisory Council, the Revisor's Office, and Minnesota tribal representatives. The Workgroup will host meetings with Members of the Minnesota House of Representatives and Minnesota Senate who have been involved in this matter to assist in crafting a bill draft.

E. No payments until August 1, 2022. The Parties agree to take all steps necessary to ensure that any Opioid Settlement Funds ready for distribution directly to the State and Participating Local Governments under the National Settlement Agreements or

¹ It is the intent of the Parties that counties will continue to fund child protection services for children and families who are affected by addiction, in compliance with the Approved Uses in Exhibit A.

Bankruptcy Resolutions are not actually distributed to the Parties until on or after August 1, 2022, in order to allow the Parties to pursue legislative change that would take effect before the Opioid Settlement Funds are received by the Parties. Such steps may include, but are not limited to, the Attorney General's Office delaying its filing of Consent Judgments in Minnesota state court memorializing the National Settlement Agreements. This provision will cease to apply upon the effective date of the Legislative Modification described above, if that date is prior to August 1, 2022.

- F. Effect of no statutory change by August 1, 2022. If the Legislative Modification described above does not take effect by August 1, 2022, the allocation between the Parties set forth in Section II.B shall be modified as follows: (i) 40% directly to the State Abatement Fund, and (ii) 60% to Local Abatement Funds. The Parties further agree to discuss potential amendment of this MOA if such legislation does not timely go into effect in accordance with this paragraph.
- G. Effect of later statutory change. If the Legislative Modification described above takes effect after August 1, 2022, the allocation between the Parties will be modified as follows:
(i) 25% directly to the State Abatement Fund, and (ii) 75% to Local Abatement Funds.
- H. Effect of partial statutory change. If any legislative action otherwise modifies or diminishes the direct allocation of Opioid Settlement Funds to Participating Local Governments so that as a result the Participating Local Governments would receive less than 75 percent of the Opioid Settlement Funds (inclusive of amounts received by counties per statutory appropriation through the Minnesota Opiate Epidemic Response Fund), then the allocation set forth in Section II.B will be modified to ensure Participating Local Governments receive 75% of the Opioid Settlement Funds.
- I. Participating Local Governments receiving payments. The proportions set forth in **Exhibit B** provide for payments directly to: (i) all Minnesota counties; and (ii) all Minnesota cities that (a) have a population of more than 30,000, based on the United States Census Bureau's Vintage 2019 population totals, (b) have funded or otherwise managed an established health care or treatment infrastructure (e.g., health department or similar agency), or (c) have initiated litigation against AmerisourceBergen, Cardinal Health, McKesson, or Janssen as of December 3, 2021.
- J. Allocation of funds between Participating Local Governments. The Local Abatement Funds shall be allocated to Participating Local Governments in such proportions as set forth in **Exhibit B**, attached hereto and incorporated herein by reference, which is based upon the MDL Matter's Opioid Negotiation Class Model.² The proportions shall not change based on population changes during the term of the MOA. However, to the extent

² More specifically, the proportions in Exhibit B were created based on Exhibit G to the National Settlement Agreements, which in turn was based on the MDL Matter's allocation criteria. Cities under 30,000 in population that had shares under the Exhibit G default allocation were removed and their shares were proportionally reallocated amongst the remaining subdivisions.

required by the terms of the National Settlement Agreements, the proportions set forth in **Exhibit B** must be adjusted: (i) to provide no payment from the National Settlement Agreements to any listed county or municipality that does not participate in the National Settlement Agreements; and (ii) to provide a reduced payment from the National Settlement Agreements to any listed county or city that signs on to the National Settlement Agreements after the Initial Participation Date.

- K. Redistribution in certain situations. In the event a Participating Local Government merges, dissolves, or ceases to exist, the allocation percentage for that Participating Local Government shall be redistributed equitably based on the composition of the successor Local Government. In the event an allocation to a Local Government cannot be paid to the Local Government, such unpaid allocations will be allocated to Local Abatement Funds and be distributed in such proportions as set forth in Exhibit B.
- L. City may direct payments to county. Any city allocated a share may elect to have its full share or a portion of its full share of current or future annual distributions of settlement funds instead directed to the county or counties in which it is located, so long as that county or counties are Participating Local Governments[s]. If a city is located in more than one county, the city's funds will be directed based on the MDL Matter's Opioid Negotiation Class Model.

III. Special Revenue Fund

- A. Creation of special revenue fund. Every Participating Local Government receiving Opioid Settlement Funds through direct distribution shall create a separate special revenue fund, as described below, that is designated for the receipt and expenditure of Opioid Settlement Funds.
- B. Procedures for special revenue fund. Funds in this special revenue fund shall not be commingled with any other money or funds of the Participating Local Government. The funds in the special revenue fund shall not be used for any loans or pledge of assets, unless the loan or pledge is for an Approved Use. Participating Local Governments may not assign to another entity their rights to receive payments of Opioid Settlement Funds or their responsibilities for funding decisions, except as provided in Section II.L.
- C. Process for drawing from special revenue funds.
 - 1. Opioid Settlement Funds can be used for a purpose when the Governing Body includes in its budget or passes a separate resolution authorizing the expenditure of a stated amount of Opioid Settlement Funds for that purpose or those purposes during a specified period of time.
 - 2. The budget or resolution must (i) indicate that it is an authorization for expenditures of opioid settlement funds; (ii) state the specific strategy or strategies the county or city intends to fund, using the item letter and/or number in **Exhibit A** to identify each funded strategy, if applicable; and (iii) state the amount dedicated to each strategy for a stated period of time.

- D. Local government grantmaking. Participating Local Governments may make contracts with or grants to a nonprofit, charity, or other entity with Opioid Settlement Funds.
- E. Interest earned on special revenue fund. The funds in the special revenue fund may be invested, consistent with the investment limitations for local governments, and may be placed in an interest-bearing bank account. Any interest earned on the special revenue funds must be used in a way that is consistent with this MOA.

IV. Opioid Remediation Activities

- A. Limitation on use of funds. This MOA requires that Opioid Settlement Funds be utilized only for future opioid remediation activities, and Parties shall expend Opioid Settlement Funds only for Approved Uses and for expenditures incurred after the effective date of this MOA, unless execution of the National Settlement Agreements requires a later date. Opioid Settlement Funds cannot be used to pay litigation costs, expenses, or attorney fees arising from the enforcement of legal claims related to the opioid epidemic, except for the portion of Opioid Settlement Funds that comprise the Backstop Fund described in Section VI. For the avoidance of doubt, counsel for Litigating Local Governments may recover litigation costs, expenses, or attorney fees from the common benefit, contingency fee, and cost funds established in the National Settlement Agreements, as well as the Backstop Fund described in Section VI.
- B. Public health departments as Chief Strategists. For Participating Local Governments that have public health departments, the public health departments shall serve as the lead agency and Chief Strategist to identify, collaborate, and respond to local issues as Local Governments decide how to leverage and disburse Opioid Settlement Funds. In their role as Chief Strategist, public health departments will convene multi-sector meetings and lead efforts that build upon local efforts like Community Health Assessments and Community Health Improvement Plans, while fostering community focused and collaborative evidence-informed approaches that prevent and address addiction across the areas of public health, human services, and public safety. Chief Strategists should consult with municipalities located within their county in the development of any Community Health Assessment, and are encouraged to collaborate with law enforcement agencies in the county where appropriate.
- C. Administrative expenses. Reasonable administrative costs for the State or Local Government to administer its allocation of the Opioid Settlement Funds shall not exceed actual costs, 10% of the relevant allocation of the Opioid Settlement Funds, or any administrative expense limitation imposed by the National Settlement Agreements or Bankruptcy Resolution, whichever is less.
- D. Regions. Two or more Participating Local Governments may at their discretion form a new group or utilize an existing group ("Region") to pool their respective shares of settlement funds and make joint spending decisions. Participating Local Governments may

choose to create a Region or utilize an existing Region under a joint exercise of powers under Minn. Stat. § 471.59.

E. Consultation and partnerships.

1. Each county receiving Opioid Settlement Funds must consult annually with the municipalities in the county regarding future use of the settlement funds in the county, including by holding an annual meeting with all municipalities in the county in order to receive input as to proposed uses of the Opioid Settlement Funds and to encourage collaboration between Local Governments both within and beyond the county. These meetings shall be open to the public.
2. Participating Local Governments within the same County Area have a duty to regularly consult with each other to coordinate spending priorities.
3. Participating Local Governments can form partnerships at the local level whereby Participating Local Governments dedicate a portion of their Opioid Settlement Funds to support city- or community-based work with local stakeholders and partners within the Approved Uses.

F. Collaboration. The State and Participating Local Governments must collaborate to promote effective use of Opioid Settlement Funds, including through the sharing of expertise, training, and technical assistance. They will also coordinate with trusted partners, including community stakeholders, to collect and share information about successful regional and other high-impact strategies and opioid treatment programs.

V. **Reporting and Compliance**

- A. Construction of reporting and compliance provisions. Reporting and compliance requirements will be developed and mutually agreed upon by the Parties, utilizing the recommendations provided by the Advisory Panel to the Attorney General on Distribution and Allocation of Opioid Settlement Funds.
- B. Reporting Workgroup. The Parties will work together to establish a Reporting Workgroup that includes representatives of the Attorney General's Office, state stakeholders, and city and county representatives, who will meet on a regular basis to develop reporting and compliance recommendations. The Reporting Workgroup must produce a set of reporting and compliance measures by June 1, 2022. Such reporting and compliance measures will be effective once approved by representatives of the Attorney General's Office, the Governor's Office, the Association of Minnesota Counties, and the League of Minnesota Cities that are on the Workgroup.
- C. Application of Reporting Addendum and State Law. The requirements of the Reporting and Compliance Addendum agreed to by the Minnesota Governor's Office, the Minnesota Attorney General's Office, the Association of Minnesota Counties, the League of Minnesota Cities, and members of the Minnesota Opioid Epidemic Response Advisory

Council, as well as the requirements of Minnesota Statutes section 256.042, subdivision 5(d), apply to Local Governments receiving Opioid Settlement Funds under National Settlement Agreements and Bankruptcy Resolutions within the scope of this MOA.

VI. Backstop Fund

- A. National Attorney Fee Fund. When the National Settlement Agreements provide for the payment of all or a portion of the attorney fees and costs owed by Litigating Local Governments to private attorneys specifically retained to file suit in the opioid litigation (“National Attorney Fee Fund”), the Parties acknowledge that the National Settlement Agreements may provide for a portion of the attorney fees of Litigating Local Governments.
- B. Backstop Fund and Waiver of Contingency Fee. The Parties agree that the Participating Local Governments will create a supplemental attorney fees fund (the “Backstop Fund”) to be used to compensate private attorneys (“Counsel”) for Local Governments that filed opioid lawsuits on or before December 3, 2021 (“Litigating Local Governments”). By order³ dated August 6, 2021, Judge Polster capped all applicable contingent fee agreements at 15%. Judge Polster’s 15% cap does not limit fees from the National Attorney Fee Fund or from any state backstop fund for attorney fees, but private attorneys for local governments must waive their contingent fee agreements to receive payment from the National Attorney Fee Fund. Judge Polster recognized that a state backstop fund can be designed to incentivize private attorneys to waive their right to enforce contingent fee agreements and instead apply to the National Attorney Fee Fund, with the goals of achieving greater subdivision participation and higher ultimate payouts to both states and local governments. Accordingly, in order to seek payment from the Backstop Fund, Counsel must agree to waive their contingency fee agreements relating to these National Settlement Agreements and first apply to the National Attorney Fee Fund.
- C. Backstop Fund Source. The Backstop Fund will be funded by seven percent (7%) of the share of each payment made to the Local Abatement Funds from the National Settlement Agreements (annual or otherwise), based upon the initial allocation of 25% directly to the State Abatement Fund and 75% directly to Local Abatement Funds, and will not include payments resulting from the Purdue, Mallinckrodt, or Endo Bankruptcies. In the event that the initial allocation is modified pursuant to Section II.F. above, then the Backstop Fund will be funded by 8.75% of the share of each payment made to the Local Abatement Funds from the National Settlement Agreements (annual or otherwise), based upon the modified allocation of 40% directly to the State Abatement Fund and 60% directly to the Local Abatement Funds, and will not include payments resulting from the Purdue, Mallinckrodt, or Endo Bankruptcies. In the event that the allocation is modified pursuant to Section II.G. or Section II.H. above, back to an allocation of 25% directly to the State Abatement Fund and 75% directly to Local Abatement Funds, then the Backstop Fund will be funded by 7% of the share of each payment made to the Local Abatement

³ Order, In re: Nat’l Prescription Opiate Litig., Case No. 17-MD-02804, Doc. No. 3814 (N.D. Ohio August 6, 2021).

Funds from the National Settlement Agreements (annual or otherwise), and will not include payments resulting from the Purdue, Mallinckrodt, or Endo Bankruptcies.

- D. Backstop Fund Payment Cap. Any attorney fees paid from the Backstop Fund, together with any compensation received from the National Settlement Agreements' Contingency Fee Fund, shall not exceed 15% of the total gross recovery of the Litigating Local Governments' share of funds from the National Settlement Agreements. To avoid doubt, in no instance will Counsel receive more than 15% of the amount paid to their respective Litigating Local Government client(s) when taking into account what private attorneys receive from both the Backstop Fund and any fees received from the National Settlement Agreements' Contingency Fee Fund.
- E. Requirements to Seek Payment from Backstop Fund. A private attorney may seek payment from the Backstop Fund in the event that funds received by Counsel from the National Settlement Agreements' Contingency Fee Fund are insufficient to cover the amount that would be due to Counsel under any contingency fee agreement with a Litigating Local Government based on any recovery Litigating Local Governments receive from the National Settlement Agreements. Before seeking any payment from the Backstop Fund, private attorneys must certify that they first sought fees from the National Settlement Agreements' Contingency Fee Fund, and must certify that they agreed to accept the maximum fees payments awarded to them. Nothing in this Section, or in the terms of this Agreement, shall be construed as a waiver of fees, contractual or otherwise, with respect to fees that may be recovered under a contingency fee agreement or otherwise from other past or future settlements, verdicts, or recoveries related to the opioid litigation.
- F. Special Master. A special master will administer the Backstop Fund, including overseeing any distribution, evaluating the requests of Counsel for payment, and determining the appropriate amount of any payment from the Backstop Fund. The special master will be selected jointly by the Minnesota Attorney General and the Hennepin County Attorney, and will be one of the following individuals: Hon. Jeffrey Keyes, Hon. David Lillehaug; or Hon. Jack Van de North. The special master will be compensated from the Backstop Fund. In the event that a successor special master is needed, the Minnesota Attorney General and the Hennepin County Attorney will jointly select the successor special master from the above-listed individuals. If none of the above-listed individuals is available to serve as the successor special master, then the Minnesota Attorney General and the Hennepin County Attorney will jointly select a successor special master from a list of individuals that is agreed upon between the Minnesota Attorney General, the Hennepin County Attorney, and Counsel.
- G. Special Master Determinations. The special master will determine the amount and timing of any payment to Counsel from the Backstop Fund. The special master shall make one determination regarding payment of attorney fees to Counsel, which will apply through the term of the recovery from the National Settlement Agreements. In making such determinations, the special master shall consider the amounts that have been or will be received by the private attorney's firm from the National Settlement Agreements' Contingency Fee Fund relating to Litigating Local Governments; the contingency fee contracts; the dollar amount of recovery for Counsel's respective clients who are

Litigating Local Governments; the Backstop Fund Payment Cap above; the complexity of the legal issues involved in the opioid litigation; work done to directly benefit the Local Governments within the State of Minnesota; and the principles set forth in the Minnesota Rules of Professional Conduct, including the reasonable and contingency fee principles of Rule 1.5. In the interest of transparency, Counsel shall provide information in their initial fee application about the total amount of fees that Counsel have received or will receive from the National Attorney Fee Fund related to the Litigating Local Governments.

- H. Special Master Proceedings. Counsel seeking payment from the Backstop Fund may also provide written submissions to the special master, which may include declarations from counsel, summaries relating to the factors described above, and/or attestation regarding total payments awarded or anticipated from the National Settlement Agreements' Contingency Fee Fund. Private attorneys shall not be required to disclose work product, proprietary or confidential information, including but not limited to detailed billing or lodestar records. To the extent that counsel rely upon written submissions to support their application to the special master, the special master will incorporate said submission or summary into the record. Any proceedings before the special master and documents filed with the special master shall be public, and the special master's determinations regarding any payment from the Backstop Funds shall be transparent, public, final, and not appealable.
- I. Distribution of Any Excess Funds. To the extent the special master determines that the Backstop Fund exceeds the amount necessary for payment to Counsel, the special master shall distribute any excess amount to Participating Local Governments according to the percentages set forth in **Exhibit B**.
- J. Term. The Backstop Fund will be administered for (a) the length of the National Litigation Settlement Agreements' payments; or (b) until all Counsel for Litigating Local Governments have either (i) received payments equal to the Backstop Fund Payment Cap above or (ii) received the full amount determined by the special master; whichever occurs first.
- K. No State Funds Toward Attorney Fees. For the avoidance of doubt, no portion of the State Abatement Fund will be used to fund the Backstop Fund or in any other way to fund any Litigating Local Government's attorney fees and expenses. Any funds that the State receives from the National Settlement Agreements as attorney fees and costs or in lieu of attorney fees and costs, including the Additional Restitution Amounts, will be treated as State Abatement Funds.

VII. General Terms

A. Scope of agreement.

1. This MOA applies to the National Settlement Agreements and the Bankruptcy Resolutions.⁴
2. This MOA will also apply to future National Settlement Agreements and Bankruptcy Resolutions with Opioid Supply Chain Participants that include structural or payment provisions requiring or anticipating the participation of both the State and its political subdivisions, and allows for the allocation between the State and its political subdivisions to be set through a state-specific agreement.
3. The Parties acknowledge that this MOA does not excuse any requirements placed upon them by the terms of the National Settlement Agreements or any Bankruptcy Resolution, except to the extent those terms allow for a State-Subdivision Agreement to do so.

B. When MOA takes effect.

1. This MOA shall become effective at the time a sufficient number of Local Governments have joined the MOA to qualify this MOA as a State-Subdivision Agreement under the National Settlement Agreements or as a Statewide Abatement Agreement under any Bankruptcy Resolution. If this MOA does not thereby qualify as a State-Subdivision Agreement or Statewide Abatement Agreement, this MOA will have no effect.
2. The Parties may conditionally agree to sign on to the MOA through a letter of intent, resolution, or similar written statement, declaration, or pronouncement declaring their intent to sign on to the MOA if the threshold for Party participation in a specific Settlement is achieved.

C. Dispute resolution.

1. If any Party believes another Party has violated the terms of this MOA, the alleging Party may seek to enforce the terms of this MOA in Ramsey County District Court, provided the alleging Party first provides notice to the alleged offending Party of the alleged violation and a reasonable opportunity to cure the alleged violation.
2. If a Party believes another Party, Region, or individual involved in the receipt,

⁴ For the avoidance of doubt, this includes settlements reached with AmerisourceBergen, Cardinal Health, McKesson, Janssen, Teva Pharmaceuticals, Allergan plc, CVS Health Corporation, Walgreens Boots Alliance, Inc., and Walmart Inc., and Bankruptcy Resolutions involving Purdue Pharma L.P., Mallinckrodt plc, and Endo International plc.

distribution, or administration of Opioid Settlement Funds has violated any applicable ethics codes or rules, a complaint shall be lodged with the appropriate forum for handling such matters.

3. If a Party believes another Party, Region, or individual involved in the receipt, distribution, or administration of Opioid Settlement Funds violated any Minnesota criminal law, such conduct shall be reported to the appropriate criminal authorities.
- D. Amendments. The Parties agree to make such amendments as necessary to implement the intent of this MOA.
- E. Applicable law and venue. Unless otherwise required by the National Settlement Agreements or a Bankruptcy Resolution, this MOA, including any issues related to interpretation or enforcement, is governed by the laws of the State of Minnesota. Any action related to the provisions of this MOA must be adjudicated by the Ramsey County District Court. If any provision of this MOA is held invalid by any court of competent jurisdiction, this invalidity does not affect any other provision which can be given effect without the invalid provision.
- F. Relationship of this MOA to other agreements and resolutions. All Parties acknowledge and agree that the National Settlement Agreements will require a Participating Local Government to release all its claims as provided in the National Settlement Agreements to receive direct allocation of Opioid Settlement Funds. All Parties further acknowledge and agree that based on the terms of the National Settlement Agreements, a Participating Local Government may receive funds through this MOA only after complying with all requirements set forth in the National Settlement Agreements to release its claims. This MOA is not a promise from any Party that any National Settlement Agreements or Bankruptcy Resolution will be finalized or executed.
- G. When MOA is no longer in effect. This MOA is effective until one year after the last date on which any Opioid Settlement Funds are being spent by the Parties pursuant to the National Settlement Agreements and any Bankruptcy Resolution.
- H. No waiver for failure to exercise. The failure of a Party to exercise any rights under this MOA will not be deemed to be a waiver of any right or any future rights.
- I. No effect on authority of Parties. Nothing in this MOA should be construed to limit the power or authority of the State of Minnesota, the Attorney General, or the Local Governments, except as expressly set forth herein.
- J. Signing and execution. This MOA may be executed in counterparts, each of which constitutes an original, and all of which constitute one and the same agreement. This MOA may be executed by facsimile or electronic copy in any image format. Each Party represents that all procedures necessary to authorize such Party's execution of this MOA have been performed and that the person signing for such Party has been authorized to execute the MOA in an official capacity that binds the Party.

This **Amended Minnesota Opioids State-Subdivision Memorandum of Agreement** is signed

on by Kevin McCann:

Signature: _____

Name: _____

Title: _____

Date: _____

On behalf of: North Mankato city

EXHIBIT A

List of Opioid Remediation Uses

Settlement fund recipients shall choose from among abatement strategies, including but not limited to those listed in this Exhibit. The programs and strategies listed in this Exhibit are not exclusive, and fund recipients shall have flexibility to modify their abatement approach as needed and as new uses are discovered.

PART ONE: TREATMENT

A. TREAT OPIOID USE DISORDER (OUD)

Support treatment of Opioid Use Disorder (“*OUD*”) and any co-occurring Substance Use Disorder or Mental Health (“*SUD/MH*”) conditions through evidence-based or evidence-informed programs⁵ or strategies that may include, but are not limited to, those that:⁶

1. Expand availability of treatment for OUD and any co-occurring SUD/MH conditions, including all forms of Medication for Opioid Use Disorder (“*MOUD*”)⁷ approved by the U.S. Food and Drug Administration, including by making capital expenditures to purchase, rehabilitate, or expand facilities that offer treatment.
2. Support and reimburse evidence-based services that adhere to the American Society of Addiction Medicine (“*ASAM*”) continuum of care for OUD and any co-occurring SUD/MH conditions.
3. Expand telehealth to increase access to treatment for OUD and any co-occurring SUD/MH conditions, including *MOUD*, as well as counseling, psychiatric support, and other treatment and recovery support services.

⁵ Use of the terms “evidence-based,” “evidence-informed,” or “best practices” shall not limit the ability of recipients to fund innovative services or those built on culturally specific needs. Rather, recipients are encouraged to support culturally appropriate services and programs for persons with OUD and any co-occurring SUD/MH conditions.

⁶ As used in this Exhibit, words like “expand,” “fund,” “provide” or the like shall not indicate a preference for new or existing programs.

⁷ Historically, pharmacological treatment for opioid use disorder was referred to as “Medication-Assisted Treatment” (“*MAT*”). It has recently been determined that the better term is “Medication for Opioid Use Disorder” (“*MOUD*”). This Exhibit will use “*MOUD*” going forward. Use of the term *MOUD* is not intended to and shall in no way limit abatement programs or strategies now or into the future as new strategies and terminology evolve.

4. Improve oversight of Opioid Treatment Programs (“OTPs”) to assure evidence-based or evidence-informed practices such as adequate methadone dosing and low threshold approaches to treatment.
5. Support mobile intervention, treatment, and recovery services, offered by qualified professionals and service providers, such as peer recovery coaches, for persons with OUD and any co-occurring SUD/MH conditions and for persons who have experienced an opioid overdose.
6. Provide treatment of trauma for individuals with OUD (e.g., violence, sexual assault, human trafficking, or adverse childhood experiences) and family members (e.g., surviving family members after an overdose or overdose fatality), and training of health care personnel to identify and address such trauma.
7. Support detoxification (detox) and withdrawal management services for people with OUD and any co-occurring SUD/MH conditions, including but not limited to medical detox, referral to treatment, or connections to other services or supports.
8. Provide training on MOUD for health care providers, first responders, students, or other supporting professionals, such as peer recovery coaches or recovery outreach specialists, including telementoring to assist community-based providers in rural or underserved areas.
9. Support workforce development for addiction professionals who work with persons with OUD and any co-occurring SUD/MH or mental health conditions.
10. Offer fellowships for addiction medicine specialists for direct patient care, instructors, and clinical research for treatments.
11. Offer scholarships and supports for certified addiction counselors, licensed alcohol and drug counselors, licensed clinical social workers, licensed mental health counselors, and other mental and behavioral health practitioners or workers, including peer recovery coaches, peer recovery supports, and treatment coordinators, involved in addressing OUD and any co-occurring SUD/MH or mental health conditions, including, but not limited to, training, scholarships, fellowships, loan repayment programs, continuing education, licensing fees, or other incentives for providers to work in rural or underserved areas.
12. Provide funding and training for clinicians to obtain a waiver under the federal Drug Addiction Treatment Act of 2000 (“DATA 2000”) to prescribe MOUD for OUD, and provide technical assistance and professional support to clinicians who have obtained a DATA 2000 waiver.
13. Dissemination of web-based training curricula, such as the American Academy of Addiction Psychiatry’s Provider Clinical Support Service–Opioids web-based training curriculum and motivational interviewing.

14. Develop and disseminate new curricula, such as the American Academy of Addiction Psychiatry's Provider Clinical Support Service for Medication-Assisted Treatment.

B. SUPPORT PEOPLE IN TREATMENT AND RECOVERY

Support people in recovery from OUD and any co-occurring SUD/MH conditions through evidence-based or evidence-informed programs or strategies that may include, but are not limited to, the programs or strategies that:

1. Provide comprehensive wrap-around services to individuals with OUD and any co-occurring SUD/MH conditions, including housing, transportation, education, job placement, job training, or childcare.
2. Provide the full continuum of care of treatment and recovery services for OUD and any co-occurring SUD/MH conditions, including supportive housing, peer support services and counseling, community navigators, case management, and connections to community-based services.
3. Provide counseling, peer-support, recovery case management and residential treatment with access to medications for those who need it to persons with OUD and any co-occurring SUD/MH conditions.
4. Provide access to housing for people with OUD and any co-occurring SUD/MH conditions, including supportive housing, recovery housing, housing assistance programs, training for housing providers, or recovery housing programs that allow or integrate FDA-approved medication with other support services.
5. Provide community support services, including social and legal services, to assist in deinstitutionalizing persons with OUD and any co-occurring SUD/MH conditions.
6. Support or expand peer-recovery centers, which may include support groups, social events, computer access, or other services for persons with OUD and any co-occurring SUD/MH conditions.
7. Provide or support transportation to treatment or recovery programs or services for persons with OUD and any co-occurring SUD/MH conditions.
8. Provide employment training or educational services for persons in treatment for or recovery from OUD and any co-occurring SUD/MH conditions.
9. Identify successful recovery programs such as physician, pilot, and college recovery programs, and provide support and technical assistance to increase the number and capacity of high-quality programs to help those in recovery.

10. Engage non-profits, faith-based communities, and community coalitions to support people in treatment and recovery and to support family members in their efforts to support the person with OUD in the family.
11. Provide training and development of procedures for government staff to appropriately interact and provide social and other services to individuals with or in recovery from OUD, including reducing stigma.
12. Support stigma reduction efforts regarding treatment and support for persons with OUD, including reducing the stigma on effective treatment.
13. Create or support culturally appropriate services and programs for persons with OUD and any co-occurring SUD/MH conditions, including but not limited to new Americans, African Americans, and American Indians.
14. Create and/or support recovery high schools.
15. Hire or train behavioral health workers to provide or expand any of the services or supports listed above.

**C. CONNECT PEOPLE WHO NEED HELP TO THE HELP THEY NEED
(CONNECTIONS TO CARE)**

Provide connections to care for people who have—or are at risk of developing—OUD and any co-occurring SUD/MH conditions through evidence-based or evidence-informed programs or strategies that may include, but are not limited to, those that:

1. Ensure that health care providers are screening for OUD and other risk factors and know how to appropriately counsel and treat (or refer if necessary) a patient for OUD treatment.
2. Fund Screening, Brief Intervention and Referral to Treatment (“SBIRT”) programs to reduce the transition from use to disorders, including SBIRT services to pregnant women who are uninsured or not eligible for Medicaid.
3. Provide training and long-term implementation of SBIRT in key systems (health, schools, colleges, criminal justice, and probation), with a focus on youth and young adults when transition from misuse to opioid disorder is common.
4. Purchase automated versions of SBIRT and support ongoing costs of the technology.
5. Expand services such as navigators and on-call teams to begin MOUD in hospital emergency departments.
6. Provide training for emergency room personnel treating opioid overdose patients on post-discharge planning, including community referrals for MOUD, recovery case management or support services.

7. Support hospital programs that transition persons with OUD and any co-occurring SUD/MH conditions, or persons who have experienced an opioid overdose, into clinically appropriate follow-up care through a bridge clinic or similar approach.
8. Support crisis stabilization centers that serve as an alternative to hospital emergency departments for persons with OUD and any co-occurring SUD/MH conditions or persons that have experienced an opioid overdose.
9. Support the work of Emergency Medical Systems, including peer support specialists, to connect individuals to treatment or other appropriate services following an opioid overdose or other opioid-related adverse event.
10. Provide funding for peer support specialists or recovery coaches in emergency departments, detox facilities, recovery centers, recovery housing, or similar settings; offer services, supports, or connections to care to persons with OUD and any co-occurring SUD/MH conditions or to persons who have experienced an opioid overdose.
11. Expand warm hand-off services to transition to recovery services.
12. Create or support school-based contacts that parents can engage with to seek immediate treatment services for their child; and support prevention, intervention, treatment, and recovery programs focused on young people.
13. Develop and support best practices on addressing OUD in the workplace.
14. Support assistance programs for health care providers with OUD.
15. Engage non-profits and the faith community as a system to support outreach for treatment.
16. Support centralized call centers that provide information and connections to appropriate services and supports for persons with OUD and any co-occurring SUD/MH conditions.

D. ADDRESS THE NEEDS OF CRIMINAL JUSTICE-INVOLVED PERSONS

Address the needs of persons with OUD and any co-occurring SUD/MH conditions who are involved in, are at risk of becoming involved in, or are transitioning out of the criminal justice system through evidence-based or evidence-informed programs or strategies that may include, but are not limited to, those that:

1. Support pre-arrest or pre-arraignment diversion and deflection strategies for persons with OUD and any co-occurring SUD/MH conditions, including established strategies such as:
 1. Self-referral strategies such as the Angel Programs or the Police Assisted Addiction Recovery Initiative (“*PAARP*”);

2. Active outreach strategies such as the Drug Abuse Response Team (“*DART*”) model;
 3. “Naloxone Plus” strategies, which work to ensure that individuals who have received naloxone to reverse the effects of an overdose are then linked to treatment programs or other appropriate services;
 4. Officer prevention strategies, such as the Law Enforcement Assisted Diversion (“*LEAD*”) model;
 5. Officer intervention strategies such as the Leon County, Florida Adult Civil Citation Network or the Chicago Westside Narcotics Diversion to Treatment Initiative; or
 6. Co-responder and/or alternative responder models to address OUD-related 911 calls with greater SUD expertise.
-
2. Support pre-trial services that connect individuals with OUD and any co-occurring SUD/MH conditions to evidence-informed treatment, including MOUD, and related services.
 3. Support treatment and recovery courts that provide evidence-based options for persons with OUD and any co-occurring SUD/MH conditions.
 4. Provide evidence-informed treatment, including MOUD, recovery support, harm reduction, or other appropriate services to individuals with OUD and any co-occurring SUD/MH conditions who are incarcerated in jail or prison.
 5. Provide evidence-informed treatment, including MOUD, recovery support, harm reduction, or other appropriate services to individuals with OUD and any co-occurring SUD/MH conditions who are leaving jail or prison or have recently left jail or prison, are on probation or parole, are under community corrections supervision, or are in re-entry programs or facilities.
 6. Support critical time interventions (“*CTP*”), particularly for individuals living with dual-diagnosis OUD/serious mental illness, and services for individuals who face immediate risks and service needs and risks upon release from correctional settings.
 7. Provide training on best practices for addressing the needs of criminal justice-involved persons with OUD and any co-occurring SUD/MH conditions to law enforcement, correctional, or judicial personnel or to providers of treatment, recovery, harm reduction, case management, or other services offered in connection with any of the strategies described in this section.

E. ADDRESS THE NEEDS OF THE PERINATAL POPULATION, CAREGIVERS, AND FAMILIES, INCLUDING BABIES WITH NEONATAL OPIOID WITHDRAWAL SYNDROME.

Address the needs of the perinatal population and caregivers with OUD and any co-occurring SUD/MH conditions, and the needs of their families, including babies with neonatal opioid withdrawal syndrome (“*NOWS*”), through evidence-based or evidence-informed programs or strategies that may include, but are not limited to, those that:

1. Support evidence-based or evidence-informed treatment, including MOUD, recovery services and supports, and prevention services for the perinatal population—or individuals who could become pregnant—who have OUD and any co-occurring SUD/MH conditions, and other measures to educate and provide support to caregivers and families affected by Neonatal Opioid Withdrawal Syndrome.
2. Expand comprehensive evidence-based treatment and recovery services, including MOUD, for uninsured individuals with OUD and any co-occurring SUD/MH conditions for up to 12 months postpartum.
3. Provide training for obstetricians or other healthcare personnel who work with the perinatal population and their families regarding treatment of OUD and any co-occurring SUD/MH conditions.
4. Expand comprehensive evidence-based treatment and recovery support for *NOWS* babies; expand services for better continuum of care with infant-caregiver dyad; and expand long-term treatment and services for medical monitoring of *NOWS* babies and their caregivers and families.
5. Provide training to health care providers who work with the perinatal population and caregivers on best practices for compliance with federal requirements that children born with *NOWS* get referred to appropriate services and receive a plan of safe care.
6. Provide child and family supports for caregivers with OUD and any co-occurring SUD/MH conditions, emphasizing the desire to keep families together.
7. Provide enhanced support for children and family members suffering trauma as a result of addiction in the family; and offer trauma-informed behavioral health treatment for adverse childhood events.
8. Offer home-based wrap-around services to persons with OUD and any co-occurring SUD/MH conditions, including, but not limited to, parent skills training.
9. Provide support for Children’s Services—Fund additional positions and services, including supportive housing and other residential services, relating to children

being removed from the home and/or placed in foster care due to custodial opioid use.

PART TWO: PREVENTION

F. PREVENT OVER-PRESCRIBING AND ENSURE APPROPRIATE PRESCRIBING AND DISPENSING OF OPIOIDS

Support efforts to prevent over-prescribing and ensure appropriate prescribing and dispensing of opioids through evidence-based or evidence-informed programs or strategies that may include, but are not limited to, the following:

1. Funding medical provider education and outreach regarding best prescribing practices for opioids consistent with the Guidelines for Prescribing Opioids for Chronic Pain from the U.S. Centers for Disease Control and Prevention, including providers at hospitals (academic detailing).
2. Training for health care providers regarding safe and responsible opioid prescribing, dosing, and tapering patients off opioids.
3. Continuing Medical Education (CME) on appropriate prescribing of opioids.
4. Providing Support for non-opioid pain treatment alternatives, including training providers to offer or refer to multi-modal, evidence-informed treatment of pain.
5. Supporting enhancements or improvements to Prescription Drug Monitoring Programs (“PDMPs”), including, but not limited to, improvements that:
 1. Increase the number of prescribers using PDMPs;
 2. Improve point-of-care decision-making by increasing the quantity, quality, or format of data available to prescribers using PDMPs, by improving the interface that prescribers use to access PDMP data, or both; or
 3. Enable states to use PDMP data in support of surveillance or intervention strategies, including MOUD referrals and follow-up for individuals identified within PDMP data as likely to experience OUD in a manner that complies with all relevant privacy and security laws and rules.
6. Ensuring PDMPs incorporate available overdose/naloxone deployment data, including the United States Department of Transportation’s Emergency Medical Technician overdose database in a manner that complies with all relevant privacy and security laws and rules.
7. Increasing electronic prescribing to prevent diversion or forgery.
8. Educating dispensers on appropriate opioid dispensing.

G. PREVENT MISUSE OF OPIOIDS

Support efforts to discourage or prevent misuse of opioids through evidence-based or evidence-informed programs or strategies that may include, but are not limited to, the following:

1. Funding media campaigns to prevent opioid misuse, including but not limited to focusing on risk factors and early interventions.
2. Corrective advertising or affirmative public education campaigns based on evidence.
3. Public education relating to drug disposal.
4. Drug take-back disposal or destruction programs.
5. Funding community anti-drug coalitions that engage in drug prevention efforts.
6. Supporting community coalitions in implementing evidence-informed prevention, such as reduced social access and physical access, stigma reduction—including staffing, educational campaigns, support for people in treatment or recovery, or training of coalitions in evidence-informed implementation, including the Strategic Prevention Framework developed by the U.S. Substance Abuse and Mental Health Services Administration (“SAMHSA”).
7. Engaging non-profits and faith-based communities as systems to support prevention.
8. Funding evidence-based prevention programs in schools or evidence-informed school and community education programs and campaigns for students, families, school employees, school athletic programs, parent-teacher and student associations, and others.
9. School-based or youth-focused programs or strategies that have demonstrated effectiveness in preventing drug misuse and seem likely to be effective in preventing the uptake and use of opioids.
10. Create or support community-based education or intervention services for families, youth, and adolescents at risk for OUD and any co-occurring SUD/MH conditions.
11. Support evidence-informed programs or curricula to address mental health needs of young people who may be at risk of misusing opioids or other drugs, including emotional modulation and resilience skills.
12. Support greater access to mental health services and supports for young people, including services and supports provided by school nurses, behavioral health

workers or other school staff, to address mental health needs in young people that (when not properly addressed) increase the risk of opioid or another drug misuse.

H. PREVENT OVERDOSE DEATHS AND OTHER HARMS (HARM REDUCTION)

Support efforts to prevent or reduce overdose deaths or other opioid-related harms through evidence-based or evidence-informed programs or strategies that may include, but are not limited to, the following:

1. Increased availability and distribution of naloxone and other drugs that treat overdoses for first responders, overdose patients, individuals with OUD and their friends and family members, schools, community navigators and outreach workers, persons being released from jail or prison, or other members of the general public.
2. Public health entities providing free naloxone to anyone in the community.
3. Training and education regarding naloxone and other drugs that treat overdoses for first responders, overdose patients, patients taking opioids, families, schools, community support groups, and other members of the general public.
4. Enabling school nurses and other school staff to respond to opioid overdoses, and provide them with naloxone, training, and support.
5. Expanding, improving, or developing data tracking software and applications for overdoses/naloxone revivals.
6. Public education relating to emergency responses to overdoses.
7. Public education relating to immunity and Good Samaritan laws.
8. Educating first responders regarding the existence and operation of immunity and Good Samaritan laws.
9. Syringe service programs and other evidence-informed programs to reduce harms associated with intravenous drug use, including supplies, staffing, space, peer support services, referrals to treatment, fentanyl checking, connections to care, and the full range of harm reduction and treatment services provided by these programs.
10. Expanding access to testing and treatment for infectious diseases such as HIV and Hepatitis C resulting from intravenous opioid use.
11. Supporting mobile units that offer or provide referrals to harm reduction services, treatment, recovery supports, health care, or other appropriate services to persons that use opioids or persons with OUD and any co-occurring SUD/MH conditions.

12. Providing training in harm reduction strategies to health care providers, students, peer recovery coaches, recovery outreach specialists, or other professionals that provide care to persons who use opioids or persons with OUD and any co-occurring SUD/MH conditions.
13. Supporting screening for fentanyl in routine clinical toxicology testing.

PART THREE: OTHER STRATEGIES

I. FIRST RESPONDERS

In addition to items in section C, D and H relating to first responders, support the following:

1. Law enforcement expenditures related to the opioid epidemic.
2. Education of law enforcement or other first responders regarding appropriate practices and precautions when dealing with fentanyl or other drugs.
3. Provision of wellness and support services for first responders and others who experience secondary trauma associated with opioid-related emergency events.

J. LEADERSHIP, PLANNING AND COORDINATION

Support efforts to provide leadership, planning, coordination, facilitations, training and technical assistance to abate the opioid epidemic through activities, programs, or strategies that may include, but are not limited to, the following:

1. Statewide, regional, local or community regional planning to identify root causes of addiction and overdose, goals for reducing harms related to the opioid epidemic, and areas and populations with the greatest needs for treatment intervention services, and to support training and technical assistance and other strategies to abate the opioid epidemic described in this opioid abatement strategy list.
2. A dashboard to (a) share reports, recommendations, or plans to spend opioid settlement funds; (b) to show how opioid settlement funds have been spent; (c) to report program or strategy outcomes; or (d) to track, share or visualize key opioid- or health-related indicators and supports as identified through collaborative statewide, regional, local or community processes.
3. Invest in infrastructure or staffing at government or not-for-profit agencies to support collaborative, cross-system coordination with the purpose of preventing overprescribing, opioid misuse, or opioid overdoses, treating those with OUD and any co-occurring SUD/MH conditions, supporting them in treatment or recovery, connecting them to care, or implementing other strategies to abate the opioid epidemic described in this opioid abatement strategy list.

4. Provide resources to staff government oversight and management of opioid abatement programs.
5. Support multidisciplinary collaborative approaches consisting of, but not limited to, public health, public safety, behavioral health, harm reduction, and others at the state, regional, local, nonprofit, and community level to maximize collective impact.

K. TRAINING

In addition to the training referred to throughout this document, support training to abate the opioid epidemic through activities, programs, or strategies that may include, but are not limited to, those that:

1. Provide funding for staff training or networking programs and services to improve the capability of government, community, and not-for-profit entities to abate the opioid crisis.
2. Support infrastructure and staffing for collaborative cross-system coordination to prevent opioid misuse, prevent overdoses, and treat those with OUD and any co-occurring SUD/MH conditions, or implement other strategies to abate the opioid epidemic described in this opioid abatement strategy list (*e.g.*, health care, primary care, pharmacies, PDMPs, etc.).

L. RESEARCH

Support opioid abatement research that may include, but is not limited to, the following:

1. Monitoring, surveillance, data collection and evaluation of programs and strategies described in this opioid abatement strategy list.
2. Research non-opioid treatment of chronic pain.
3. Research on improved service delivery for modalities such as SBIRT that demonstrate promising but mixed results in populations vulnerable to opioid use disorders.
4. Research on novel harm reduction and prevention efforts such as the provision of fentanyl test strips.
5. Research on innovative supply-side enforcement efforts such as improved detection of mail-based delivery of synthetic opioids.
6. Expanded research on swift/certain/fair models to reduce and deter opioid misuse within criminal justice populations that build upon promising approaches used to address other substances (*e.g.*, Hawaii HOPE and Dakota 24/7).
7. Epidemiological surveillance of OUD-related behaviors in critical populations, including individuals entering the criminal justice system,

including, but not limited to approaches modeled on the Arrestee Drug Abuse Monitoring (“*ADAM*”) system.

8. Qualitative and quantitative research regarding public health risks and harm reduction opportunities within illicit drug markets, including surveys of market participants who sell or distribute illicit opioids.
9. Geospatial analysis of access barriers to MOUD and their association with treatment engagement and treatment outcomes.

M. POST-MORTEM

1. Toxicology tests for the range of opioids, including synthetic opioids, seen in overdose deaths as well as newly evolving synthetic opioids infiltrating the drug supply.
2. Toxicology method development and method validation for the range of synthetic opioids observed now and in the future, including the cost of installation, maintenance, repairs and training of capital equipment.
3. Autopsies in cases of overdose deaths resulting from opioids and synthetic opioids.
4. Additional storage space/facilities for bodies directly related to opioid or synthetic opioid related deaths.
5. Comprehensive death investigations for individuals where a death is caused by or suspected to have been caused by an opioid or synthetic opioid overdose, whether intentional or accidental (overdose fatality reviews).
6. Indigent burial for unclaimed remains resulting from overdose deaths.
7. Navigation-to-care services for individuals with opioid use disorder who are encountered by the medical examiner’s office as either family and/or social network members of decedents dying of opioid overdose.
8. Epidemiologic data management and reporting to public health and public safety stakeholders regarding opioid overdose fatalities.

EXHIBIT B**Local Abatement Funds Allocation**

Subdivision	Allocation Percentage
AITKIN COUNTY	0.5760578506020%
Andover city	0.1364919450741%
ANOKA COUNTY	5.0386504680954%
Apple Valley city	0.2990817344560%
BECKER COUNTY	0.6619330684437%
BELTRAMI COUNTY	0.7640787092763%
BENTON COUNTY	0.6440948102319%
BIG STONE COUNTY	0.1194868774775%
Blaine city	0.4249516912759%
Bloomington city	0.4900195550092%
BLUE EARTH COUNTY	0.6635420704652%
Brooklyn Center city	0.1413853902225%
Brooklyn Park city	0.2804136234778%
BROWN COUNTY	0.3325325415732%
Burnsville city	0.5135361296508%
CARLTON COUNTY	0.9839591749060%
CARVER COUNTY	1.1452829659572%
CASS COUNTY	0.8895681513437%
CHIPPEWA COUNTY	0.2092611794436%
CHISAGO COUNTY	0.9950193750117%
CLAY COUNTY	0.9428475281726%
CLEARWATER COUNTY	0.1858592042741%
COOK COUNTY	0.1074594959729%
Coon Rapids city	0.5772642444915%
Cottage Grove city	0.2810994719143%
COTTONWOOD COUNTY	0.1739065270025%
CROW WING COUNTY	1.1394859174804%
DAKOTA COUNTY	4.4207140602835%
DODGE COUNTY	0.2213963257778%
DOUGLAS COUNTY	0.6021779472345%
Duluth city	1.1502115379896%
Eagan city	0.3657951576014%
Eden Prairie city	0.2552171572659%
Edina city	0.1973054822135%
FARIBAULT COUNTY	0.2169409335358%
FILLMORE COUNTY	0.2329591105316%
FREEBORN COUNTY	0.3507169823793%
GOODHUE COUNTY	0.5616542387089%

Subdivision	Allocation Percentage
GRANT COUNTY	0.0764556498477%
HENNEPIN COUNTY	19.0624622261821%
HOUSTON COUNTY	0.3099019273452%
HUBBARD COUNTY	0.4582368775192%
Inver Grove Heights city	0.2193400520297%
ISANTI COUNTY	0.7712992707537%
ITASCA COUNTY	1.1406408131328%
JACKSON COUNTY	0.1408950443531%
KANABEC COUNTY	0.3078966749987%
KANDIYOHI COUNTY	0.1581167542252%
KITTSOON COUNTY	0.0812834506382%
KOOCHICHING COUNTY	0.2612581865885%
LAC QUI PARLE COUNTY	0.0985665133485%
LAKE COUNTY	0.1827750320696%
LAKE OF THE WOODS COUNTY	0.1123105027592%
Lakeville city	0.2822249627090%
LE SUEUR COUNTY	0.3225703347466%
LINCOLN COUNTY	0.1091919983965%
LYON COUNTY	0.2935118186364%
MAHNOMEN COUNTY	0.1416417687922%
Mankato city	0.3698584320930%
Maple Grove city	0.1814019046900%
Maplewood city	0.1875101678223%
MARSHALL COUNTY	0.1296352091057%
MARTIN COUNTY	0.2543064014046%
MCLEOD COUNTY	0.1247104517575%
MEEKER COUNTY	0.3744031515243%
MILLE LACS COUNTY	0.9301506695846%
Minneapolis city	4.8777618689374%
Minnetonka city	0.1967231070869%
Moorhead city	0.4337377037965%
MORRISON COUNTY	0.7178981419196%
MOWER COUNTY	0.5801769148506%
MURRAY COUNTY	0.1348775389165%
NICOLLET COUNTY	0.1572381052896%
NOBLES COUNTY	0.1562005111775%
NORMAN COUNTY	0.1087596675165%
North St. Paul city	0.0575844069340%
OLMSTED COUNTY	1.9236715094724%
OTTER TAIL COUNTY	0.8336175418789%
PENNINGTON COUNTY	0.3082576394945%
PINE COUNTY	0.5671222706703%

Subdivision	Allocation Percentage
PIPESTONE COUNTY	0.1535154503112%
Plymouth city	0.1762541472591%
POLK COUNTY	0.8654291473909%
POPE COUNTY	0.1870129873102%
Proctor city	0.0214374127881%
RAMSEY COUNTY	7.1081424150498%
RED LAKE COUNTY	0.0532649128178%
REDWOOD COUNTY	0.2809842366614%
RENVILLE COUNTY	0.2706888807449%
RICE COUNTY	0.2674764397830%
Richfield city	0.2534018444052%
Rochester city	0.7363082848763%
ROCK COUNTY	0.2043437335735%
ROSEAU COUNTY	0.2517872793025%
Roseville city	0.1721905548771%
Savage city	0.1883576635033%
SCOTT COUNTY	1.3274301645797%
Shakopee city	0.2879873611373%
SHERBURNE COUNTY	1.2543449471994%
SIBLEY COUNTY	0.2393480708456%
ST LOUIS COUNTY	4.7407767169807%
St. Cloud city	0.7330089009029%
St. Louis Park city	0.1476314588229%
St. Paul city	3.7475206797569%
STEARNS COUNTY	2.4158085321227%
STEELE COUNTY	0.3969975262520%
STEVENS COUNTY	0.1439474275223%
SWIFT COUNTY	0.1344167568499%
TODD COUNTY	0.4180909816781%
TRAVERSE COUNTY	0.0903964133868%
WABASHA COUNTY	0.3103038996965%
WADENA COUNTY	0.2644094336575%
WASECA COUNTY	0.2857912156338%
WASHINGTON COUNTY	3.0852862512586%
WATONWAN COUNTY	0.1475626355615%
WILKIN COUNTY	0.0937962507119%
WINONA COUNTY	0.7755267356126%
Woodbury city	0.4677270171716%
WRIGHT COUNTY	1.6985269385427%
YELLOW MEDICINE COUNTY	0.1742264836427%

AMENDED MINNESOTA OPIOIDS STATE-SUBDIVISION MEMORANDUM OF AGREEMENT

WHEREAS, the State of Minnesota, Minnesota counties and cities, and their people have been harmed by misconduct committed by certain entities that engage in or have engaged in the manufacture, marketing, promotion, distribution, or dispensing of an opioid analgesic;

WHEREAS, certain Minnesota counties and cities, through their counsel, and the State, through its Attorney General, are separately engaged in ongoing investigations, litigation, and settlement discussions seeking to hold opioid manufacturers and distributors accountable for the damage caused by their misconduct;

WHEREAS, the State and Local Governments share a common desire to abate and alleviate the impacts of the misconduct described above throughout Minnesota;

WHEREAS, while the State and Local Governments recognize the sums which may be available from the aforementioned litigation will likely be insufficient to fully abate the public health crisis caused by the opioid epidemic, they share a common interest in dedicating the most resources possible to the abatement effort;

WHEREAS, the investigations and litigation with ~~Johnson & Johnson, AmerisourceBergen, Cardinal Health, and McKesson~~ several companies have resulted in National Settlement Agreements with those companies, which the State has already committed to join;

WHEREAS, Minnesota's share of settlement funds from the National Settlement Agreements will be maximized only if all Minnesota counties, and cities of a certain size, participate in the settlements;

WHEREAS, the National Settlement Agreements will set a default allocation between each state and its political subdivisions unless they enter into a state-specific agreement regarding the distribution and use of settlement amounts;

WHEREAS, this Amended Memorandum of Agreement is intended to facilitate compliance by the State and by the Local Governments with the terms of the National Settlement Agreements and is intended to serve as a State-Subdivision Agreement under the National Settlement Agreements;

WHEREAS, this Amended Memorandum of Agreement is also intended to serve as a State-Subdivision Agreement under resolutions of claims concerning alleged misconduct in the manufacture, marketing, promotion, distribution, or dispensing of an opioid analgesic entered in bankruptcy court that provide for payments (including payments through a trust) to both the State and Minnesota counties and cities and allow for the allocation between a state and its political subdivisions to be set through a state-specific agreement; and

WHEREAS, specifically, this Amended Memorandum of Agreement is intended to serve under the Bankruptcy Resolutions concerning Purdue Pharma ~~and~~, Mallinckrodt, and Endo as a qualifying Statewide Abatement Agreement.

I. Definitions

As used in this MOA (including the preamble above):

“Approved Uses” shall mean forward-looking strategies, programming, and services to abate the opioid epidemic that fall within the list of uses on **Exhibit A**. Consistent with the terms of the National Settlement Agreements and Bankruptcy Resolutions, “Approved Uses” shall include the reasonable administrative expenses associated with overseeing and administering Opioid Settlement Funds. Reimbursement by the State or Local Governments for past expenses are not Approved Uses.

“Backstop Fund” is defined in Section VI.B below.

“Bankruptcy Defendants” mean any Opioid Supply Chain Participants that have filed for federal bankruptcy protection, including, but not limited to, Purdue Pharma L.P. and, Mallinckrodt plc, and Endo International plc.

“Bankruptcy Resolution(s)” means resolutions of claims concerning alleged misconduct in manufacture, marketing, promotion, distribution, or dispensing of an opioid analgesic by the Bankruptcy Defendants entered in bankruptcy court that provide for payments (including payments through a trust) to both the State and Minnesota counties and municipalities and allow for the allocation between the state and its political subdivisions to be set through a state-specific agreement.

“Counsel” is defined in Section VI.B below.

“County Area” shall mean a county in the State of Minnesota plus the Local Governments, or portion of any Local Government, within that county.

“Governing Body” means (1) for a county, the county commissioners of the county, and (2) for a municipality, the elected city council or the equivalent legislative body for the municipality.

“Legislative Modification” is defined in Section II.C below.

“Litigating Local Governments” mean a Local Government that filed an opioid lawsuit(s) on or before December 3, 2021, as defined in Section VI.B below.

“Local Abatement Funds” are defined in Section II.B below.

“Local Government” means all ~~counties and cities~~ Minnesota political subdivisions within the geographic boundaries of the state of Minnesota.

“MDL Matter” means the matter captioned *In re National Prescription Opiate Litigation*, MDL 2804, pending in the United States District Court for the Northern District of Ohio.

“Memorandum of Agreement” or “MOA” means this agreement, the Amended Minnesota Opioids State-Subdivision Memorandum of Agreement.

“National Settlement Agreements” means ~~the a~~ national opioid settlement agreements with the Parties and one or ~~all of the Settling Defendants more Opioid Supply Chain Participants~~ concerning alleged misconduct in manufacture, marketing, promotion, distribution, or dispensing of an opioid analgesic, which includes structural or payment provisions requiring or anticipating the participation of both the State and its political subdivisions in the national opioid settlement agreement and allows for the allocation of Opioid Settlement Funds between the State and its political subdivisions to be set through a state-specific agreement.

“Opioid Settlement Funds” shall mean all funds allocated by the National Settlement Agreements and any Bankruptcy Resolutions to the State and Local Governments for purposes of opioid remediation activities or restitution, as well as any repayment of those funds and any interest or investment earnings that may accrue as those funds are temporarily held before being expended on opioid remediation strategies.

“Opioid Supply Chain Participants” means entities that engage in, ~~or have engaged in, or have provided consultation services regarding~~ the manufacture, marketing, promotion, distribution, or dispensing of an opioid analgesic, including, but not limited to, Janssen, AmerisourceBergen, Cardinal Health, McKesson, Teva Pharmaceuticals, Allergan plc, CVS Health Corporation, Walgreens Boots Alliance, Inc., and Walmart Inc. “Opioid Supply Chain Participants” also means ~~all including their subsidiaries, affiliates, officers, directors, employees, or agents of such entities, acting in their capacity as such.~~

“Parties” means the State and the Participating Local Governments.

“Participating Local Government” means a ~~county or city~~ political subdivision within the geographic boundaries of the State of Minnesota that has signed this Memorandum of Agreement and has executed a release of claims ~~with the Settling Defendants~~ by signing on to the National Settlement Agreements. For the avoidance of doubt, a Local Government must sign this MOA to become a “Participating Local Government.”

“Region” is defined in Section II.H below.

~~“Settling Defendants” means Johnson & Johnson, AmerisourceBergen, Cardinal Health, and McKesson, as well as their subsidiaries, affiliates, officers, and directors named in a National Settlement Agreement.~~

“State” means the State of Minnesota by and through its Attorney General, Keith Ellison.

“State Abatement Fund” is defined in Section II.B below.

II. Allocation of Settlement Proceeds

- A. Method of distribution. Pursuant to the National Settlement Agreements and any Bankruptcy Resolutions, Opioid Settlement Funds shall be distributed directly to the State and directly to Participating Local Governments in such proportions and for such uses as set forth in this MOA, provided Opioid Settlement Funds shall not be considered funds of the State or any Participating Local Government unless and until such time as each ~~annual~~ distribution is made.
- B. Overall allocation of funds. Opioid Settlement Funds will be initially allocated as follows: (i) 25% directly to the State ("State Abatement Fund"), and (ii) 75% directly to abatement funds established by Participating Local Governments ("Local Abatement Funds"). This initial allocation is subject to modification by Sections II.F, II.G, and II.H, below.
- C. Statutory change.
1. The Parties agree to work together in good faith to propose and lobby for legislation in the 2022 Minnesota legislative session to modify the distribution of the State's Opiate Epidemic Response Fund under Minnesota Statutes section 256.043, subd. 3(d), so that "50 percent of the remaining amount" is no longer appropriated to county social services, as related to Opioid Settlement Funds that are ultimately placed into the Minnesota Opiate Epidemic Response Fund ("Legislative Modification").¹ Such efforts include, but are not limited to, providing testimony and letters in support of the Legislative Modification.
 2. It is the intent of the Parties that the Legislative Modification would affect only the county share under section 256.043, subd. 3(d), and would not impact the provision of funds to tribal social service agencies. Further, it is the intent of the Parties that the Legislative Modification would relate only to disposition of Opioid Settlement Funds and is not predicated on a change to the distribution of the Board of Pharmacy fee revenue that is deposited into the Opiate Epidemic Response Fund.
- D. Bill Drafting Workgroup. The Parties will work together to convene a Bill Drafting Workgroup to recommend draft legislation to achieve this Legislative Modification. The Workgroup will meet as often as practicable in December 2021 and January 2022 until recommended language is completed. Invitations to participate in the group shall be extended to the League of Minnesota Cities, the Association of Minnesota Counties, the Coalition of Greater Minnesota Cities, state agencies, the Governor's Office, the Attorney General's Office, the Opioid Epidemic Response Advisory Council, the Revisor's Office, and Minnesota tribal representatives. The Workgroup will host meetings with Members of

¹ It is the intent of the Parties that counties will continue to fund child protection services for children and families who are affected by addiction, in compliance with the Approved Uses in Exhibit A.

the Minnesota House of Representatives and Minnesota Senate who have been involved in this matter to assist in crafting a bill draft.

- E. No payments until August 1, 2022. The Parties agree to take all steps necessary to ensure that any Opioid Settlement Funds ready for distribution directly to the State and Participating Local Governments under the National Settlement Agreements or Bankruptcy Resolutions are not actually distributed to the Parties until on or after August 1, 2022, in order to allow the Parties to pursue legislative change that would take effect before the Opioid Settlement Funds are received by the Parties. Such steps may include, but are not limited to, the Attorney General's Office delaying its filing of Consent Judgments in Minnesota state court memorializing the National Settlement Agreements. This provision will cease to apply upon the effective date of the Legislative Modification described above, if that date is prior to August 1, 2022.
- F. Effect of no statutory change by August 1, 2022. If the Legislative Modification described above does not take effect by August 1, 2022, the allocation between the Parties set forth in Section II.B shall be modified as follows: (i) 40% directly to the State Abatement Fund, and (ii) 60% to Local Abatement Funds. The Parties further agree to discuss potential amendment of this MOA if such legislation does not timely go into effect in accordance with this paragraph.
- G. Effect of later statutory change. If the Legislative Modification described above takes effect after August 1, 2022, the allocation between the Parties will be modified as follows: (i) 25% directly to the State Abatement Fund, and (ii) 75% to Local Abatement Funds.
- H. Effect of partial statutory change. If any legislative action otherwise modifies or diminishes the direct allocation of Opioid Settlement Funds to Participating Local Governments so that as a result the Participating Local Governments would receive less than 75 percent of the Opioid Settlement Funds (inclusive of amounts received by counties per statutory appropriation through the Minnesota Opiate Epidemic Response Fund), then the allocation set forth in Section II.B will be modified to ensure Participating Local Governments receive 75% of the Opioid Settlement Funds.
- I. Participating Local Governments receiving payments. The proportions set forth in **Exhibit B** provide for payments directly to: (i) all Minnesota counties; and (ii) all Minnesota cities that (a) have a population of more than 30,000, based on the United States Census Bureau's Vintage 2019 population totals, (b) have funded or otherwise managed an established health care or treatment infrastructure (e.g., health department or similar agency), or (c) have initiated litigation against ~~the Settling Defendants~~ AmerisourceBergen, Cardinal Health, McKesson, or Janssen as of December 3, 2021.
- J. Allocation of funds between Participating Local Governments. The Local Abatement Funds shall be allocated to Participating Local Governments in such proportions as set forth in **Exhibit B**, attached hereto and incorporated herein by reference, which is based

upon the MDL Matter's Opioid Negotiation Class Model.² The proportions shall not change based on population changes during the term of the MOA. However, to the extent required by the terms of the National Settlement Agreements, the proportions set forth in **Exhibit B** must be adjusted: (i) to provide no payment from the National Settlement Agreements to any listed county or municipality that does not participate in the National Settlement Agreements; and (ii) to provide a reduced payment from the National Settlement Agreements to any listed county or city that signs on to the National Settlement Agreements after the Initial Participation Date.

- K. Redistribution in certain situations. In the event a Participating Local Government merges, dissolves, or ceases to exist, the allocation percentage for that Participating Local Government shall be redistributed equitably based on the composition of the successor Local Government. In the event an allocation to a Local Government cannot be paid to the Local Government, such unpaid allocations will be allocated to Local Abatement Funds and be distributed in such proportions as set forth in Exhibit B.
- L. City may direct payments to county. Any city allocated a share may elect to have its full share or a portion of its full share of current or future annual distributions of settlement funds instead directed to the county or counties in which it is located, so long as that county or counties are Participating Local Governments[s]. ~~Such an election must be made by January 1 each year to apply to the following fiscal year.~~ If a city is located in more than one county, the city's funds will be directed based on the MDL Matter's Opioid Negotiation Class Model.

III. Special Revenue Fund

- A. Creation of special revenue fund. Every Participating Local Government receiving Opioid Settlement Funds through direct distribution shall create a separate special revenue fund, as described below, that is designated for the receipt and expenditure of Opioid Settlement Funds.
- B. Procedures for special revenue fund. Funds in this special revenue fund shall not be commingled with any other money or funds of the Participating Local Government. The funds in the special revenue fund shall not be used for any loans or pledge of assets, unless the loan or pledge is for an Approved Use. Participating Local Governments may not assign to another entity their rights to receive payments of Opioid Settlement Funds or their responsibilities for funding decisions, except as provided in Section II.L.

² More specifically, the proportions in Exhibit B were created based on Exhibit G to the National Settlement Agreements, which in turn was based on the MDL Matter's allocation criteria. Cities under 30,000 in population that had shares under the Exhibit G default allocation were removed and their shares were proportionally reallocated amongst the remaining subdivisions.

C. Process for drawing from special revenue funds.

1. Opioid Settlement Funds can be used for a purpose when the Governing Body includes in its budget or passes a separate resolution authorizing the expenditure of a stated amount of Opioid Settlement Funds for that purpose or those purposes during a specified period of time.
2. The budget or resolution must (i) indicate that it is an authorization for expenditures of opioid settlement funds; (ii) state the specific strategy or strategies the county or city intends to fund, using the item letter and/or number in **Exhibit A** to identify each funded strategy, if applicable; and (iii) state the amount dedicated to each strategy for a stated period of time.

D. Local government grantmaking. Participating Local Governments may make contracts with or grants to a nonprofit, charity, or other entity with Opioid Settlement Funds.

E. Interest earned on special revenue fund. The funds in the special revenue fund may be invested, consistent with the investment limitations for local governments, and may be placed in an interest-bearing bank account. Any interest earned on the special revenue funds must be used in a way that is consistent with this MOA.

IV. Opioid Remediation Activities

A. Limitation on use of funds. This MOA requires that Opioid Settlement Funds be utilized only for future opioid remediation activities, and Parties shall expend Opioid Settlement Funds only for Approved Uses and for expenditures incurred after the effective date of this MOA, unless execution of the National Settlement Agreements requires a later date. Opioid Settlement Funds cannot be used to pay litigation costs, expenses, or attorney fees arising from the enforcement of legal claims related to the opioid epidemic, except for the portion of Opioid Settlement Funds that comprise the Backstop Fund described in Section VI. For the avoidance of doubt, counsel for Litigating Local Governments may recover litigation costs, expenses, or attorney fees from the common benefit, contingency fee, and cost funds established in the National Settlement Agreements, as well as the Backstop Fund described in Section VI.

B. Public health departments as Chief Strategists. For Participating Local Governments that have public health departments, the public health departments shall serve as the lead agency and Chief Strategist to identify, collaborate, and respond to local issues as Local Governments decide how to leverage and disburse Opioid Settlement Funds. In their role as Chief Strategist, public health departments will convene multi-sector meetings and lead efforts that build upon local efforts like Community Health Assessments and Community Health Improvement Plans, while fostering community focused and collaborative evidence-informed approaches that prevent and address addiction across the areas of public health, human services, and public safety. Chief Strategists should consult with municipalities located within their county in the development of any Community Health

Assessment, and are encouraged to collaborate with law enforcement agencies in the county where appropriate.

- C. Administrative expenses. Reasonable administrative costs for the State or Local Government to administer its allocation of the Opioid Settlement Funds shall not exceed actual costs, 10% of the relevant allocation of the Opioid Settlement Funds, or any administrative expense limitation imposed by the National Settlement Agreements or Bankruptcy Resolution, whichever is less.
- D. Regions. Two or more Participating Local Governments may at their discretion form a new group or utilize an existing group ("Region") to pool their respective shares of settlement funds and make joint spending decisions. Participating Local Governments may choose to create a Region or utilize an existing Region under a joint exercise of powers under Minn. Stat. § 471.59.
- E. Consultation and partnerships.
 - 1. Each county receiving Opioid Settlement Funds must consult annually with the municipalities in the county regarding future use of the settlement funds in the county, including by holding an annual meeting with all municipalities in the county in order to receive input as to proposed uses of the Opioid Settlement Funds and to encourage collaboration between Local Governments both within and beyond the county. These meetings shall be open to the public.
 - 2. Participating Local Governments within the same County Area have a duty to regularly consult with each other to coordinate spending priorities.
 - 3. Participating Local Governments can form partnerships at the local level whereby Participating Local Governments dedicate a portion of their Opioid Settlement Funds to support city- or community-based work with local stakeholders and partners within the Approved Uses.
- F. Collaboration. The State and Participating Local Governments must collaborate to promote effective use of Opioid Settlement Funds, including through the sharing of expertise, training, and technical assistance. They will also coordinate with trusted partners, including community stakeholders, to collect and share information about successful regional and other high-impact strategies and opioid treatment programs.

V. Reporting and Compliance

- A. Construction of reporting and compliance provisions. Reporting and compliance requirements will be developed and mutually agreed upon by the Parties, utilizing the recommendations provided by the Advisory Panel to the Attorney General on Distribution and Allocation of Opioid Settlement Funds.

B. Reporting Workgroup. The Parties will work together to establish a Reporting Workgroup that includes representatives of the Attorney General's Office, state stakeholders, and city and county representatives, who will meet on a regular basis to develop reporting and compliance recommendations. The Reporting Workgroup must produce a set of reporting and compliance measures by June 1, 2022. Such reporting and compliance measures will be effective once approved by representatives of the Attorney General's Office, the Governor's Office, the Association of Minnesota Counties, and the League of Minnesota Cities that are on the Workgroup.

C. Application of Reporting Addendum and State Law. The requirements of the Reporting and Compliance Addendum agreed to by the Minnesota Governor's Office, the Minnesota Attorney General's Office, the Association of Minnesota Counties, the League of Minnesota Cities, and members of the Minnesota Opioid Epidemic Response Advisory Council, as well as the requirements of Minnesota Statutes section 256.042, subdivision 5(d), apply to Local Governments receiving Opioid Settlement Funds under National Settlement Agreements and Bankruptcy Resolutions within the scope of this MOA.

VI. Backstop Fund

A. National Attorney Fee Fund. ~~When the~~ The National Settlement Agreements provide for the payment of all or a portion of the attorney fees and costs owed by Litigating Local Governments to private attorneys specifically retained to file suit in the opioid litigation ("National Attorney Fee Fund"), ~~t.~~ The Parties acknowledge that the National Settlement Agreements may provide for a portion of the attorney fees of Litigating Local Governments.

B. Backstop Fund and Waiver of Contingency Fee. The Parties agree that the Participating Local Governments will create a supplemental attorney fees fund (the "Backstop Fund") to be used to compensate private attorneys ("Counsel") for Local Governments that filed opioid lawsuits on or before December 3, 2021 ("Litigating Local Governments"). By order³ dated August 6, 2021, Judge Polster capped all applicable contingent fee agreements at 15%. Judge Polster's 15% cap does not limit fees from the National Attorney Fee Fund or from any state backstop fund for attorney fees, but private attorneys for local governments must waive their contingent fee agreements to receive payment from the National Attorney Fee Fund. Judge Polster recognized that a state backstop fund can be designed to incentivize private attorneys to waive their right to enforce contingent fee agreements and instead apply to the National Attorney Fee Fund, with the goals of achieving greater subdivision participation and higher ultimate payouts to both states and local governments. Accordingly, in order to seek payment from the Backstop Fund, Counsel must agree to waive their contingency fee agreements relating to these National Settlement Agreements and first apply to the National Attorney Fee Fund.

³ Order, In re: Nat'l Prescription Opiate Litig., Case No. 17-MD-02804, Doc. No. 3814 (N.D. Ohio August 6, 2021).

- C. Backstop Fund Source. The Backstop Fund will be funded by seven percent (7%) of the share of each payment made to the Local Abatement Funds from the National Settlement Agreements (annual or otherwise), based upon the initial allocation of 25% directly to the State Abatement Fund and 75% directly to Local Abatement Funds, and will not include payments resulting from the Purdue, ~~or~~ Mallinckrodt, or Endo Bankruptcies. In the event that the initial allocation is modified pursuant to Section II.F. above, then the Backstop Fund will be funded by 8.75% of the share of each payment made to the Local Abatement Funds from the National Settlement Agreements (annual or otherwise), based upon the modified allocation of 40% directly to the State Abatement Fund and 60% directly to the Local Abatement Funds, and will not include payments resulting from the Purdue, ~~or~~ Mallinckrodt, or Endo Bankruptcies. In the event that the allocation is modified pursuant to Section II.G. or Section II.H. above, back to an allocation of 25% directly to the State Abatement Fund and 75% directly to Local Abatement Funds, then the Backstop Fund will be funded by 7% of the share of each payment made to the Local Abatement Funds from the National Settlement Agreements (annual or otherwise), and will not include payments resulting from the Purdue, ~~or~~ Mallinckrodt, or Endo Bankruptcies.
- D. Backstop Fund Payment Cap. Any attorney fees paid from the Backstop Fund, together with any compensation received from the National Settlement Agreements' Contingency Fee Fund, shall not exceed 15% of the total gross recovery of the Litigating Local Governments' share of funds from the National Settlement Agreements. To avoid doubt, in no instance will Counsel receive more than 15% of the amount paid to their respective Litigating Local Government client(s) when taking into account what private attorneys receive from both the Backstop Fund and any fees received from the National Settlement Agreements' Contingency Fee Fund.
- E. Requirements to Seek Payment from Backstop Fund. A private attorney may seek payment from the Backstop Fund in the event that funds received by Counsel from the National Settlement Agreements' Contingency Fee Fund are insufficient to cover the amount that would be due to Counsel under any contingency fee agreement with a Litigating Local Government based on any recovery Litigating Local Governments receive from the National Settlement Agreements. Before seeking any payment from the Backstop Fund, private attorneys must certify that they first sought fees from the National Settlement Agreements' Contingency Fee Fund, and must certify that they agreed to accept the maximum fees payments awarded to them. Nothing in this Section, or in the terms of this Agreement, shall be construed as a waiver of fees, contractual or otherwise, with respect to fees that may be recovered under a contingency fee agreement or otherwise from other past or future settlements, verdicts, or recoveries related to the opioid litigation.
- F. Special Master. A special master will administer the Backstop Fund, including overseeing any distribution, evaluating the requests of Counsel for payment, and determining the appropriate amount of any payment from the Backstop Fund. The special master will be selected jointly by the Minnesota Attorney General and the Hennepin County Attorney, and will be one of the following individuals: Hon. Jeffrey Keyes, Hon. David Lillehaug; or Hon. Jack Van de North. The special master will be compensated from the Backstop Fund. In the event that a successor special master is needed, the Minnesota Attorney General and the Hennepin County Attorney will jointly select the successor special master

from the above-listed individuals. If none of the above-listed individuals is available to serve as the successor special master, then the Minnesota Attorney General and the Hennepin County Attorney will jointly select a successor special master from a list of individuals that is agreed upon between the Minnesota Attorney General, the Hennepin County Attorney, and Counsel.

- G. Special Master Determinations. The special master will determine the amount and timing of any payment to Counsel from the Backstop Fund. The special master shall make one determination regarding payment of attorney fees to Counsel, which will apply through the term of the recovery from the National Settlement Agreements. In making such determinations, the special master shall consider the amounts that have been or will be received by the private attorney's firm from the National Settlement Agreements' Contingency Fee Fund relating to Litigating Local Governments; the contingency fee contracts; the dollar amount of recovery for Counsel's respective clients who are Litigating Local Governments; the Backstop Fund Payment Cap above; the complexity of the legal issues involved in the opioid litigation; work done to directly benefit the Local Governments within the State of Minnesota; and the principles set forth in the Minnesota Rules of Professional Conduct, including the reasonable and contingency fee principles of Rule 1.5. In the interest of transparency, Counsel shall provide information in their initial fee application about the total amount of fees that Counsel have received or will receive from the National Attorney Fee Fund related to the Litigating Local Governments.
- H. Special Master Proceedings. Counsel seeking payment from the Backstop Fund may also provide written submissions to the special master, which may include declarations from counsel, summaries relating to the factors described above, and/or attestation regarding total payments awarded or anticipated from the National Settlement Agreements' Contingency Fee Fund. Private attorneys shall not be required to disclose work product, proprietary or confidential information, including but not limited to detailed billing or lodestar records. To the extent that counsel rely upon written submissions to support their application to the special master, the special master will incorporate said submission or summary into the record. Any proceedings before the special master and documents filed with the special master shall be public, and the special master's determinations regarding any payment from the Backstop Funds shall be transparent, public, final, and not appealable.
- I. Distribution of Any Excess Funds. To the extent the special master determines that the Backstop Fund exceeds the amount necessary for payment to Counsel, the special master shall distribute any excess amount to Participating Local Governments according to the percentages set forth in **Exhibit B**.
- J. Term. The Backstop Fund will be administered for (a) the length of the National Litigation Settlement Agreements' payments; or (b) until all Counsel for Litigating Local Governments have either (i) received payments equal to the Backstop Fund Payment Cap above or (ii) received the full amount determined by the special master; whichever occurs first.

- K. No State Funds Toward Attorney Fees. For the avoidance of doubt, no portion of the State Abatement Fund will be used to fund the Backstop Fund or in any other way to fund any Litigating Local Government's attorney fees and expenses. Any funds that the State receives from the National Settlement Agreements as attorney fees and costs or in lieu of attorney fees and costs, including the Additional Restitution Amounts, will be treated as State Abatement Funds.

VII. General Terms

A. Scope of agreement.

1. This MOA applies to ~~all settlements under~~ the National Settlement Agreements ~~with Settling Defendants~~ and the Bankruptcy Resolutions ~~with Bankruptcy Defendants~~.⁴
2. This MOA will also apply to future National Settlement Agreements and Bankruptcy Resolutions with Opioid Supply Chain Participants that include structural or payment provisions requiring or anticipating the participation of both the State and its political subdivisions, and allows for the allocation between the State and its political subdivisions to be set through a state-specific agreement.
- ~~2.3. The Parties agree to discuss the use, as the Parties may deem appropriate in the future, of the settlement terms set out herein (after any necessary amendments) for resolutions with Opioid Supply Chain Participants not covered by the National Settlement Agreements or a Bankruptcy Resolution. The Parties acknowledge that this MOA does not excuse any requirements placed upon them by the terms of the National Settlement Agreements or any Bankruptcy Resolution, except to the extent those terms allow for a State-Subdivision Agreement to do so.~~

B. When MOA takes effect.

1. This MOA shall become effective at the time a sufficient number of Local Governments have joined the MOA to qualify this MOA as a State-Subdivision Agreement under the National Settlement Agreements or as a Statewide Abatement Agreement under any Bankruptcy Resolution. If this MOA does not thereby qualify as a State-Subdivision Agreement or Statewide Abatement Agreement, this MOA will have no effect.
2. The Parties may conditionally agree to sign on to the MOA through a letter of intent, resolution, or similar written statement, declaration, or pronouncement declaring their intent to sign on to the MOA if the threshold for Party participation in a specific Settlement is achieved.

⁴ For the avoidance of doubt, this includes settlements reached with AmerisourceBergen, Cardinal Health, ~~and McKesson, and Janssen,~~ Teva Pharmaceuticals, Allergan plc, CVS Health Corporation, Walgreens Boots Alliance, Inc., and Walmart Inc., and Bankruptcy Resolutions involving Purdue Pharma L.P., ~~and Mallinckrodt plc,~~ and Endo International plc.

C. Dispute resolution.

1. If any Party believes another Party has violated the terms of this MOA, the alleging Party may seek to enforce the terms of this MOA in Ramsey County District Court, provided the alleging Party first provides notice to the alleged offending Party of the alleged violation and a reasonable opportunity to cure the alleged violation.
2. If a Party believes another Party, Region, or individual involved in the receipt, distribution, or administration of Opioid Settlement Funds has violated any applicable ethics codes or rules, a complaint shall be lodged with the appropriate forum for handling such matters.
3. If a Party believes another Party, Region, or individual involved in the receipt, distribution, or administration of Opioid Settlement Funds violated any Minnesota criminal law, such conduct shall be reported to the appropriate criminal authorities.

D. Amendments. The Parties agree to make such amendments as necessary to implement the intent of this MOA.

E. Applicable law and venue. Unless otherwise required by the National Settlement Agreements or a Bankruptcy Resolution, this MOA, including any issues related to interpretation or enforcement, is governed by the laws of the State of Minnesota. Any action related to the provisions of this MOA must be adjudicated by the Ramsey County District Court. If any provision of this MOA is held invalid by any court of competent jurisdiction, this invalidity does not affect any other provision which can be given effect without the invalid provision.

F. Relationship of this MOA to other agreements and resolutions. All Parties acknowledge and agree that the National Settlement Agreements will require a Participating Local Government to release all its claims as provided in the National Settlement Agreements ~~against the Settling Defendants~~ to receive direct allocation of Opioid Settlement Funds. All Parties further acknowledge and agree that based on the terms of the National Settlement Agreements, a Participating Local Government may receive funds through this MOA only after complying with all requirements set forth in the National Settlement Agreements to release its claims. This MOA is not a promise from any Party that any National Settlement Agreements or Bankruptcy Resolution will be finalized or executed.

G. When MOA is no longer in effect. This MOA is effective until one year after the last date on which any Opioid Settlement Funds are being spent by the Parties pursuant to the National Settlement Agreements and any Bankruptcy Resolution.

H. No waiver for failure to exercise. The failure of a Party to exercise any rights under this MOA will not be deemed to be a waiver of any right or any future rights.

- I. No effect on authority of Parties. Nothing in this MOA should be construed to limit the power or authority of the State of Minnesota, the Attorney General, or the Local Governments, except as expressly set forth herein.
- J. Signing and execution. This MOA may be executed in counterparts, each of which constitutes an original, and all of which constitute one and the same agreement. This MOA may be executed by facsimile or electronic copy in any image format. Each Party represents that all procedures necessary to authorize such Party's execution of this MOA have been performed and that the person signing for such Party has been authorized to execute the MOA in an official capacity that binds the Party.

| This Amended **Minnesota Opioids State-Subdivision Memorandum of Agreement** is signed

this ___ day of _____, _____ by:

Name and Title: _____

On behalf of: _____