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## FOR IMMEDIATE RELEASE

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### Moody's Assigns Aa2 Bond Rating to Prior Lake

Prior Lake's moving to Moody's Aa2 bond rating may not be a true improvement in credit quality or a change in its credit rating, because it was part of a recalibration of the grading system, but it is positive when considering the economic challenges that Prior Lake and most communities face and because the City has have been able to maintain a strong financial position.

Because Minnesota is one of the first states to be recalibrated and many of the other states are still at the lower ratings, the Aa2 rating may actually help communities, including those in Scott County, receive better interest rates. The state's timing for issuing bonds could work to its advantage.

Moody's Investors Service has assigned an Aa2 rating to the City of Prior Lake's \$1,235,000 General Obligation Improvement Bonds. Proceeds of the Series 2010A bonds will finance various improvement projects, including, but not limited to, various street improvement projects. Concurrently, Moody's has affirmed the Aa2 rating on the City of Prior Lake's outstanding general obligation debt and the Aa3 rating on the city's lease debt. The city's high-quality Aa2 rating reflects the city's advantageous location within the Twin Cities Metropolitan Area and above average wealth levels, healthy financial operations supported by ample operating reserves, and above average, yet manageable debt burden typical of a growing municipality.

Moody's expects Prior Lake's tax base to continue to grow over the long-term, due to its favorable location 25 miles southwest of Minneapolis and St. Paul, future annexation, and the availability of developable land. However, Moody's acknowledges that, in the near future taxable valuations are expected to decrease due to declines in residential home values. The city is mostly residential and benefits from easy access to major employment centers throughout the broader Minneapolis-St. Paul metropolitan area. The moderately sized \$3 billion tax base has grown at a strong 9.4% average annual rate for the past five years, although the rate of growth has slowed dramatically for the past two years, increasing just 1% in 2008 and 5.4% in 2009. Preliminary valuations for 2010 show a 3% decline.

Metropolitan Council projections show the city population reaching 40,000 by 2024, nearly doubling the current estimated population of 21,395. As population growth continues, residential development is also expected to expand. Population grew from 11,482 to 15,917 from the 1990 to 2000 Census and by 2008 population was estimated to have increased an additional 49.8% since 2000. At 138% and 142% of state levels, respectively, per capita and median family income are above average and increased over the 1990 census levels.