

**Rating Action: Moody's assigns Aa3 to Moorhead, MN's GO bonds**

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New York, October 16, 2018 -- Moody's Investors Service has assigned Aa3 ratings to the City of Moorhead, MN's \$12.3 million General Obligation (GO) Improvement Bonds, Series 2018A and \$5.5 million General Obligation Improvement Refunding Bonds, Series 2018B. Concurrently, Moody's has maintained the Aa3 rating on the city's outstanding GO debt. Moorhead has \$173.7 million of outstanding GO debt, including the current bonds.

**RATINGS RATIONALE**

The Aa3 rating incorporates the city's strong and growing tax base in the Fargo, ND (Aa1 negative) metropolitan area. The local economy is supported by the presence of Concordia College (Baa1 stable) and Minnesota State University at Moorhead. Moorhead's financial position is strong, supported by ample operating fund balance and liquidity. These attributes are balanced against elevated direct and overall debt burdens, inclusive of overlapping debt from Moorhead Independent School District 152 (Aa3) and Clay County (Aa3). Moorhead's pension obligations and fixed costs are also high.

**RATING OUTLOOK**

Outlooks are usually not assigned to local governments with this amount of debt.

**FACTORS THAT COULD LEAD TO AN UPGRADE**

- Sustained, material strengthening of tax base valuation
- Improvement in resident income indices
- Significant moderation of direct and overall debt burdens

**FACTORS THAT COULD LEAD TO A DOWNGRADE**

- Increases in debt or pension burdens
- Material narrowing of fund balance or liquidity
- Weakening of the credit quality of the Moorhead Combined Utility Enterprise (Aa3), which operates the city's electric and water utilities that provide transfers to the general fund

**LEGAL SECURITY**

The city's GO bonds are secured by the city's pledge to levy a dedicated property tax unlimited as to rate and amount. The security benefits from a statutory lien, but there is no lockbox structure.

**USE OF PROCEEDS**

Proceeds of the Series 2018A GO bonds will fund street and other infrastructure projects and remodeling of a city-owned youth hockey center. Proceeds of the Series 2018B GO bonds will refund the Series 2009A and 2009B GO bonds for interest savings.

**PROFILE**

The City of Moorhead is located on the Minnesota (Aa1 stable)-North Dakota (Aa1 negative) border, across the Red River from the City of Fargo, ND. It serves as the seat for Clay County and provides public safety, stormwater, and wastewater services, operates and maintains libraries and parks, and provides a range of other municipal services to approximately 41,000 residents.

**METHODOLOGY**

The principal methodology used in these ratings was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

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