



Office of Mayor Shelly Carlson  
218.299.5307 | shelly.carlson@cityofmoorhead.com

April 28, 2022

**Re: S.F. 4543, Moorhead local sales tax authorization modification**

Chair Nelson and Members of the Senate Committee on Taxes:

The City of Moorhead is respectfully requesting a necessary modification to the City's local option sales tax authorization granted in 2021. **The specific request is to extend the sales tax collection period by 8 years, from 22 years to 30, to address rising interest rates, while keeping the authorized maximum project cost the same.**

What prompted this request is updated analysis conducted by the City's financial advisors at Baker-Tilly, demonstrating that volatile market conditions and rapid rise in interest rates over the past year, which necessitates an extension of the City's sales tax collection period to ensure that collections will be sufficient each year to repay bonds without a budget shortfall.

Below is a summary of the issue we are facing, and enclosed with this letter are the following documents supporting the City's request:

- (1) Financial analysis prepared by Baker-Tilly demonstrating sales tax collection and repayment assumptions with and without the 8-year extension; and
- (2) Resolution of the Moorhead City Council supporting the request to extend the sales tax collection period.

**Issue:** In the past several weeks, Moorhead's advisors at Baker Tilly reviewed bond financing assumptions for the library/community center project. With a measurable increase in interest rates in spring 2022 (and further Federal Reserve rate increases predicted), and with an assumed 1% annual increase in retail sales during the duration of the collection period, it is projected there would be a \$500,000 annual shortfall in bond interest payments annually if the sales tax collection period is limited to 22 years as noted in the 2021 law approved by the Minnesota Legislature.

**Proposed Solution:** A 8-year extension of the authorized collection term is projected by Baker-Tilly to enable repayment of the construction cost and associated financing expenses through sales tax receipts without a budget shortfall. If the sales tax revenue projections grow more quickly than projected, collection would stop when we reach the authorized funding level.

The City is aware that this request comes to you late in the legislative session, but with the sales tax slated to go on this November's ballot, we have to act now to ensure the most fiscally sound approach for the people of Moorhead. We understand that some other cities with sales tax authorizations moving toward the 2022 election are facing similar concerns – either on time to collect, project costs due to materials inflation, or both.

In summary, it is very important to provide a sound financial plan to Moorhead voters on November 8, 2022 as they consider investing in the Community Center and Regional Library that is so significant to Moorhead's future.

We ask your assistance to make this change during this legislative session, before the November vote by our residents. Please do not hesitate to contact me or others on the Moorhead team for questions on this important request.

Sincerely,



Shelly Carlson

cc: Senator Kent Eken, District 4

**\$31,850,000**

**City of Moorhead, Minnesota**  
**General Obligation Sales Tax Revenue Bonds, Series 2023**  
**Project Funding of \$31.590M - 22 Year Term**

**NET DEBT SERVICE vs. REVENUE**

| Date         | Principal              | Coupon   | Interest               | Total P+I              | 105% Overlevy          | Revenue                | Srpls(Shrtfall)        |
|--------------|------------------------|----------|------------------------|------------------------|------------------------|------------------------|------------------------|
| 02/01/2024   | 1,070,000.00           | 2.850%   | 517,465.63             | 1,587,465.63           | 1,666,838.91           | 1,664,966.42           | (1,872.49)             |
| 02/01/2025   | 865,000.00             | 2.900%   | 1,211,422.50           | 2,076,422.50           | 2,180,243.63           | 1,681,616.08           | (498,627.55)           |
| 02/01/2026   | 905,000.00             | 3.000%   | 1,186,337.50           | 2,091,337.50           | 2,195,904.38           | 1,698,432.24           | (497,472.14)           |
| 02/01/2027   | 945,000.00             | 3.100%   | 1,159,187.50           | 2,104,187.50           | 2,209,396.88           | 1,715,416.56           | (493,980.32)           |
| 02/01/2028   | 995,000.00             | 3.200%   | 1,129,892.50           | 2,124,892.50           | 2,231,137.13           | 1,732,570.73           | (498,566.40)           |
| 02/01/2029   | 1,040,000.00           | 3.300%   | 1,098,052.50           | 2,138,052.50           | 2,244,955.13           | 1,749,896.44           | (495,058.69)           |
| 02/01/2030   | 1,090,000.00           | 3.350%   | 1,063,732.50           | 2,153,732.50           | 2,261,419.13           | 1,767,395.40           | (494,023.73)           |
| 02/01/2031   | 1,145,000.00           | 3.400%   | 1,027,217.50           | 2,172,217.50           | 2,280,828.38           | 1,785,069.35           | (495,759.03)           |
| 02/01/2032   | 1,200,000.00           | 3.480%   | 988,287.50             | 2,188,287.50           | 2,297,701.88           | 1,802,920.05           | (494,781.83)           |
| 02/01/2033   | 1,260,000.00           | 3.550%   | 946,527.50             | 2,206,527.50           | 2,316,853.88           | 1,820,949.25           | (495,904.63)           |
| 02/01/2034   | 1,325,000.00           | 3.650%   | 901,797.50             | 2,226,797.50           | 2,338,137.38           | 1,839,158.74           | (498,978.64)           |
| 02/01/2035   | 1,390,000.00           | 3.900%   | 853,435.00             | 2,243,435.00           | 2,355,606.75           | 1,857,550.33           | (498,056.42)           |
| 02/01/2036   | 1,460,000.00           | 4.000%   | 799,225.00             | 2,259,225.00           | 2,372,186.25           | 1,876,125.83           | (496,060.42)           |
| 02/01/2037   | 1,535,000.00           | 4.100%   | 740,825.00             | 2,275,825.00           | 2,389,616.25           | 1,894,887.09           | (494,729.16)           |
| 02/01/2038   | 1,620,000.00           | 4.150%   | 677,890.00             | 2,297,890.00           | 2,412,784.50           | 1,913,835.96           | (498,948.54)           |
| 02/01/2039   | 1,705,000.00           | 4.200%   | 610,660.00             | 2,315,660.00           | 2,431,443.00           | 1,932,974.32           | (498,468.68)           |
| 02/01/2040   | 1,795,000.00           | 4.250%   | 539,050.00             | 2,334,050.00           | 2,450,752.50           | 1,952,304.06           | (498,448.44)           |
| 02/01/2041   | 1,890,000.00           | 4.300%   | 462,762.50             | 2,352,762.50           | 2,470,400.63           | 1,971,827.10           | (498,573.53)           |
| 02/01/2042   | 1,990,000.00           | 4.350%   | 381,492.50             | 2,371,492.50           | 2,490,067.13           | 1,991,545.38           | (498,521.75)           |
| 02/01/2043   | 2,095,000.00           | 4.400%   | 294,927.50             | 2,389,927.50           | 2,509,423.88           | 2,011,460.83           | (497,963.05)           |
| 02/01/2044   | 2,205,000.00           | 4.450%   | 202,747.50             | 2,407,747.50           | 2,528,134.88           | 2,031,575.44           | (496,559.44)           |
| 02/01/2045   | 2,325,000.00           | 4.500%   | 104,625.00             | 2,429,625.00           | 2,551,106.25           | 2,051,891.19           | (499,215.06)           |
| <b>Total</b> | <b>\$31,850,000.00</b> | <b>-</b> | <b>\$16,897,560.63</b> | <b>\$48,747,560.63</b> | <b>\$51,184,938.66</b> | <b>\$40,744,368.79</b> | <b>(10,440,569.87)</b> |

Dated..... 9/01/2023  
 Delivery Date..... 9/01/2023  
 First Coupon Date..... 2/01/2024

**Yield Statistics**

Bond Year Dollars..... \$407,125.83  
 Average Life..... 12.783 Years  
 Average Coupon..... 4.1504516%  
 Net Interest Cost (NIC)..... 4.1895673%  
 True Interest Cost (TIC)..... 4.1706461%  
 Bond Yield for Arbitrage Purposes..... 4.1175036%  
 All Inclusive Cost (AIC)..... 4.2042179%

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**\$29,855,000**

**City of Moorhead, Minnesota**  
General Obligation Sales Tax Revenue Bonds, Series 2023  
30 Year Term

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**Sources & Uses**

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**Dated 09/01/2023 | Delivered 09/01/2023**

**Sources Of Funds**

Par Amount of Bonds..... \$29,855,000.00

**Total Sources..... \$29,855,000.00**

**Uses Of Funds**

Deposit to Project Fund..... 29,605,725.00

Total Underwriter's Discount (0.500%)..... 149,275.00

Costs of Issuance..... 100,000.00

**Total Uses..... \$29,855,000.00**

**\$29,855,000**

**City of Moorhead, Minnesota**

General Obligation Sales Tax Revenue Bonds, Series 2023

30 Year Term

**NET DEBT SERVICE vs. REVENUE**

| Date       | Principal       | Coupon | Interest        | Total P+I       | 105% Overlevy   | Sales Tax Revenue | Srpls(Shrtfall) |
|------------|-----------------|--------|-----------------|-----------------|-----------------|-------------------|-----------------|
| 02/01/2024 | 1,055,000.00    | 2.850% | 529,123.96      | 1,584,123.96    | 1,663,330.16    | 1,664,966.42      | 1,636.26        |
| 02/01/2025 | 360,000.00      | 2.900% | 1,239,830.00    | 1,599,830.00    | 1,679,821.50    | 1,681,616.08      | 1,794.58        |
| 02/01/2026 | 385,000.00      | 3.000% | 1,229,390.00    | 1,614,390.00    | 1,695,109.50    | 1,698,432.24      | 3,322.74        |
| 02/01/2027 | 415,000.00      | 3.100% | 1,217,840.00    | 1,632,840.00    | 1,714,482.00    | 1,715,416.56      | 934.56          |
| 02/01/2028 | 440,000.00      | 3.200% | 1,204,975.00    | 1,644,975.00    | 1,727,223.75    | 1,732,570.73      | 5,346.98        |
| 02/01/2029 | 475,000.00      | 3.300% | 1,190,895.00    | 1,665,895.00    | 1,749,189.75    | 1,749,896.44      | 706.69          |
| 02/01/2030 | 505,000.00      | 3.350% | 1,175,220.00    | 1,680,220.00    | 1,764,231.00    | 1,767,395.40      | 3,164.40        |
| 02/01/2031 | 540,000.00      | 3.400% | 1,158,302.50    | 1,698,302.50    | 1,783,217.63    | 1,785,069.35      | 1,851.73        |
| 02/01/2032 | 575,000.00      | 3.480% | 1,139,942.50    | 1,714,942.50    | 1,800,689.63    | 1,802,920.05      | 2,230.43        |
| 02/01/2033 | 610,000.00      | 3.550% | 1,119,932.50    | 1,729,932.50    | 1,816,429.13    | 1,820,949.25      | 4,520.13        |
| 02/01/2034 | 650,000.00      | 3.650% | 1,098,277.50    | 1,748,277.50    | 1,835,691.38    | 1,839,158.74      | 3,467.36        |
| 02/01/2035 | 690,000.00      | 3.900% | 1,074,552.50    | 1,764,552.50    | 1,852,780.13    | 1,857,550.33      | 4,770.21        |
| 02/01/2036 | 735,000.00      | 4.000% | 1,047,642.50    | 1,782,642.50    | 1,871,774.63    | 1,876,125.83      | 4,351.21        |
| 02/01/2037 | 785,000.00      | 4.100% | 1,018,242.50    | 1,803,242.50    | 1,893,404.63    | 1,894,887.09      | 1,482.47        |
| 02/01/2038 | 835,000.00      | 4.150% | 986,057.50      | 1,821,057.50    | 1,912,110.38    | 1,913,835.96      | 1,725.58        |
| 02/01/2039 | 885,000.00      | 4.200% | 951,405.00      | 1,836,405.00    | 1,928,225.25    | 1,932,974.32      | 4,749.07        |
| 02/01/2040 | 945,000.00      | 4.250% | 914,235.00      | 1,859,235.00    | 1,952,196.75    | 1,952,304.06      | 107.31          |
| 02/01/2041 | 1,000,000.00    | 4.300% | 874,072.50      | 1,874,072.50    | 1,967,776.13    | 1,971,827.10      | 4,050.98        |
| 02/01/2042 | 1,065,000.00    | 4.350% | 831,072.50      | 1,896,072.50    | 1,990,876.13    | 1,991,545.38      | 669.26          |
| 02/01/2043 | 1,130,000.00    | 4.400% | 784,745.00      | 1,914,745.00    | 2,010,482.25    | 2,011,460.83      | 978.58          |
| 02/01/2044 | 1,195,000.00    | 4.450% | 735,025.00      | 1,930,025.00    | 2,026,526.25    | 2,031,575.44      | 5,049.19        |
| 02/01/2045 | 1,270,000.00    | 4.500% | 681,847.50      | 1,951,847.50    | 2,049,439.88    | 2,051,891.19      | 2,451.31        |
| 02/01/2046 | 1,345,000.00    | 4.550% | 624,697.50      | 1,969,697.50    | 2,068,182.38    | 2,072,410.10      | 4,227.73        |
| 02/01/2047 | 1,425,000.00    | 4.570% | 563,500.00      | 1,988,500.00    | 2,087,925.00    | 2,093,134.20      | 5,209.20        |
| 02/01/2048 | 1,515,000.00    | 4.600% | 498,377.50      | 2,013,377.50    | 2,114,046.38    | 2,114,065.55      | 19.17           |
| 02/01/2049 | 1,600,000.00    | 4.750% | 428,687.50      | 2,028,687.50    | 2,130,121.88    | 2,135,206.00      | 5,084.13        |
| 02/01/2050 | 1,700,000.00    | 4.750% | 352,687.50      | 2,052,687.50    | 2,155,321.88    | 2,156,558.00      | 1,236.13        |
| 02/01/2051 | 1,800,000.00    | 4.750% | 271,937.50      | 2,071,937.50    | 2,175,534.38    | 2,178,123.00      | 2,588.63        |
| 02/01/2052 | 1,905,000.00    | 4.750% | 186,437.50      | 2,091,437.50    | 2,196,009.38    | 2,199,905.00      | 3,895.63        |
| 02/01/2053 | 2,020,000.00    | 4.750% | 95,950.00       | 2,115,950.00    | 2,221,747.50    | 2,221,904.00      | 156.50          |
| Total      | \$29,855,000.00 | -      | \$25,224,901.46 | \$55,079,901.46 | \$57,833,896.53 | \$57,915,674.64   | \$81,778.11     |

Dated..... 9/01/2023  
 Delivery Date..... 9/01/2023  
 First Coupon Date..... 2/01/2024

**Yield Statistics**

Bond Year Dollars..... \$560,704.58  
 Average Life..... 18.781 Years  
 Average Coupon..... 4.4987864%  
 Net Interest Cost (NIC)..... 4.5254091%  
 True Interest Cost (TIC)..... 4.4995505%  
 Bond Yield for Arbitrage Purposes..... 4.4577007%  
 All Inclusive Cost (AIC)..... 4.5277649%

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**\$29,855,000**

**City of Moorhead, Minnesota**  
General Obligation Sales Tax Revenue Bonds, Series 2023  
30 Year Term

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**Disclaimer**

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**RESOLUTION 2022-0425-3**

**Resolution to Amend Resolution 2021-0308-19, a Request to Legislature for  
Local Option Sales Tax Authorization**

WHEREAS, on January 11, 2021, the City Council of the City of Moorhead passed Resolution 2021-0111-4, a Resolution Supporting the Authority to Impose a Local Option Sales Tax to Fund Specific Capital Improvements Providing Regional Benefit, to Establish the Duration of the Tax and the Revenue to be Raised by the Tax, and to Authorize the City to Issue Bonds Supported by the Sales Tax Revenue; and

WHEREAS, on March 8, 2021, the City Council of the City of Moorhead amended Resolution 2021-0111-4 with Resolution 2021-0308-19 to reflect an estimated construction expenditure of \$29.1 million, a total construction and financing cost, including a required reserve account of \$31.59 million and an estimated sales tax collection period of 22 years; and

WHEREAS, due to rising interest rates nationwide, without an increase in the sales tax collection period or a reduction in the construction budget, an annual shortfall in sales tax revenue necessary to repay bonds would occur; and

WHEREAS, increasing construction costs would make it difficult to reduce the project scope and budget.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Moorhead, Minnesota that Resolution 2021-0308-19 is hereby amended to reflect an Estimated Sales Tax Collection Period of 30 years.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Moorhead, Minnesota that all other terms and conditions of Resolution 2021-0308-19 remain in effect.

PASSED: April 25, 2022 by the City Council of the City of Moorhead.

APPROVED BY:



MICHELLE (SHELLY) A. CARLSON, Mayor

ATTEST:



CHRISTINA RUST, City Clerk