



Saint Paul Minnesota

The most livable city in America

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DEBT MANAGEMENT

PRESENTATION TO THE SAINT PAUL CITY COUNCIL

Agenda

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1. What is a Bond?
2. Credit Ratings
3. Policies
4. Outstanding Debt Portfolio
5. Debt Service and Refundings
6. Market Update
7. 2019 Debt Strategy

What is a Bond?

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- Municipal bonds are debt securities
- Issued by states, cities, counties and other governmental entities
- Finance capital projects
- The bond issuer agrees to pay interest and the return on investment, the principal, to the bond holders who have loaned the issuer money for the project(s)

Goal: Spread the cost of large capital projects over the life of the asset so users pay over time

Authority and Oversight

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- Minnesota Statutes
 - Chapter 475 (General Bonding Authority)
- City Charter
 - Chapter 10
- Federal Regulations
 - Internal Revenue Service (IRS)
 - Tax Exemption, Arbitrage
 - Securities and Exchange Commission (SEC)
 - Disclosure, MCDC, Enforcement
 - Municipal Securities Rulemaking Board (MSRB)
 - Establish rules that market participants must follow when engaging in municipal securities transactions

Bond Sale Process and Participants

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- Participants
 - Issuer
 - City council
 - Consultants (Bond counsel, Municipal advisor, etc.)
 - Underwriter
 - Rating Agency
- Process
 - Documentation
 - Official Statement (disclosure document or prospectus)
 - Legal Documentation
 - Credit Rating
 - Competitive or Negotiated Sale

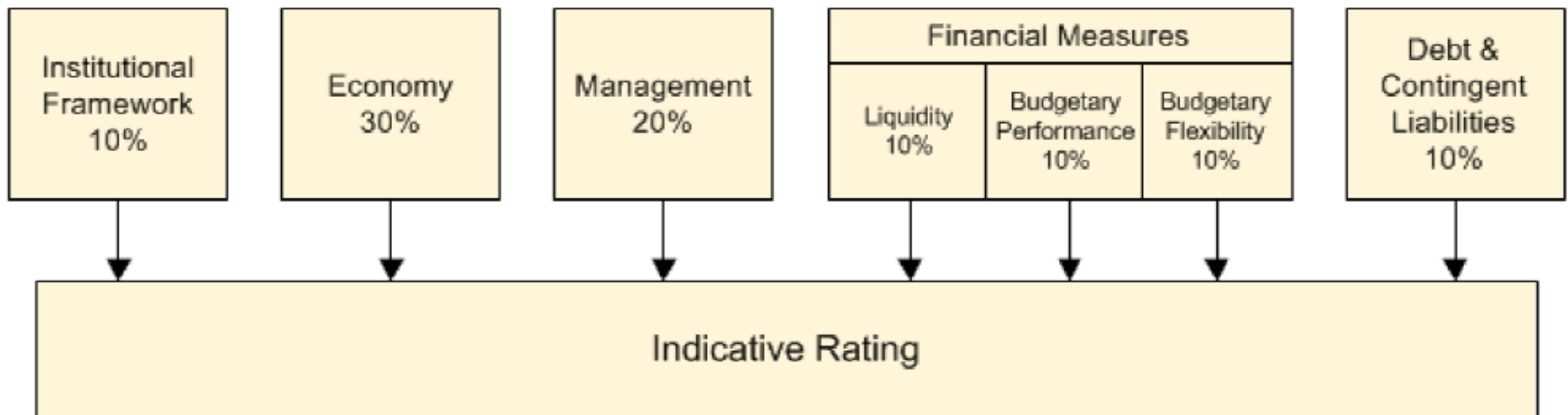
Credit Ratings

- Bonds may be rated by one or more of the three major credit rating agencies: Moody’s, Standard & Poor’s, or Fitch
- Bond Ratings represent a comprehensive evaluation of the city’s overall financial and economic health encompassing other measures.
 - Indicator of risk: ability to pay debt service in full and on time
- A “AAA” rating with stable outlook is the highest possible rating and translates to the lowest borrowing cost.

Jurisdiction	Moody’s Investors Service	Standard & Poor’s Ratings Services	Fitch
City of Saint Paul/Port Authority	n/a	AAA	AAA
County of Ramsey	Aaa	AAA	n/a
Saint Paul Public Schools	Aa2	AA+	n/a

Credit Rating Methodology

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AAA Ratings – S&P and Fitch

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- Very strong management, with strong financial policies
- Very strong liquidity, providing very strong cash levels to cover both debt service and expenditures
- Very strong budgetary flexibility, with available general fund reserves exceeding the City's 15% policy
- Strong budgetary performance
- Strong economy, benefits of being in the Metro
- Strong institutional framework
- Adequate debt and liability position
 - Pension pressures

Debt Policies

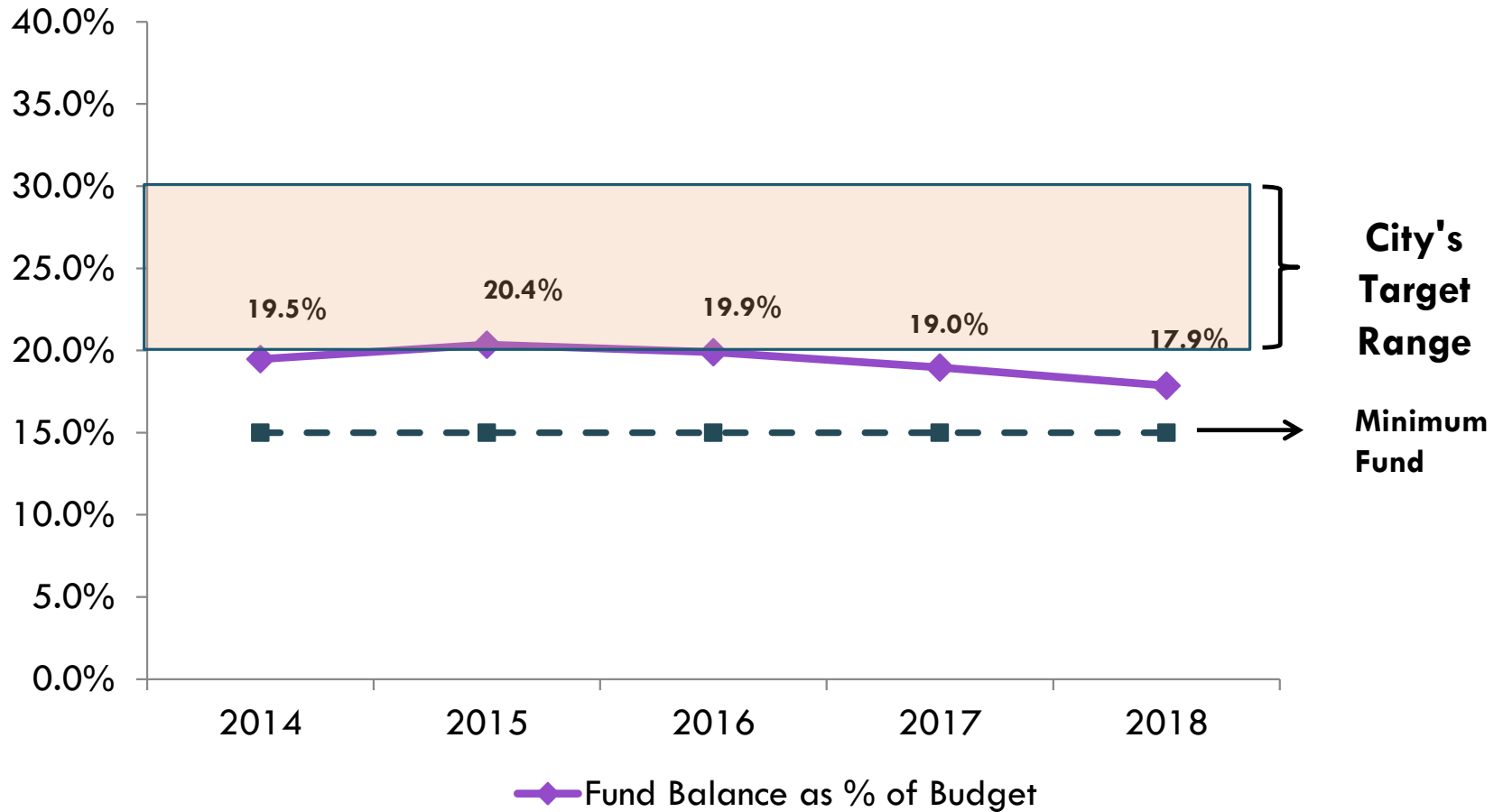
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- Debt Service Fund Fund Balance Policy
 - *RES 05-1187: The City shall maintain an amount equal to 7.5% of the annual debt service (P&I) in the next budget year as a General Debt Service reserve*
- Post Issuance Compliance Policy
 - *Build America Bonds Compliance Procedure*
- Capital Projects and Bond Proceeds Cancellation Policy
- General Fund Fund Balance Policy
 - *Fund balance should not drop below 15% of budget*

Fund Balance at Year End 2017

	<u>2013</u> <u>Fund Balance</u>	<u>2014</u> <u>Fund Balance</u>	<u>2015</u> <u>Fund Balance</u>	<u>2016</u> <u>Fund Balance</u>	<u>2017</u> <u>Fund Balance</u>
Fund Balance (General Fund & Library)	48,072,315	51,055,030	51,055,030	51,522,226	51,219,869
(Use of) / Contribution to Fund Balance	-	-	467,196	(302,357)	3,718,973
Year End Fund Balance	48,072,315	51,055,030	51,522,226	51,219,869	54,938,842
	<u>2014</u> <u>Adopted Budget</u>	<u>2015</u> <u>Adopted Budget</u>	<u>2016</u> <u>Adopted Budget</u>	<u>2017</u> <u>Adopted Budget</u>	<u>2018</u> <u>Adopted Budget</u>
General Fund and Library Budget	246,908,363	250,789,874	259,048,013	270,037,229	307,606,320
Library Debt Transfer	145,270	145,270	97,326		
Fund Balance as a % of Budget	19.5%	20.4%	19.9%	19.0%	17.9%
Fund Balance Policy Requirement	37,036,254	37,618,481	38,857,202	40,505,584	46,140,948
Over / (Short) Requirement	11,036,061	13,436,549	12,665,024	10,714,285	8,797,894

“Rainy Day” Fund



Outstanding Debt Portfolio

(as of 12/31/2018)

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General Obligation Bonds

General Obligation Tax Levy	122,335,000
General Obligation Levy (Library)	13,730,000
General Obligation Special Assessment	104,102,655
General Obligation Tax Increment	22,100,000
General Obligation Utility Revenue	1,696,309
Subtotal	<u>263,963,964</u>

Revenue Bonds

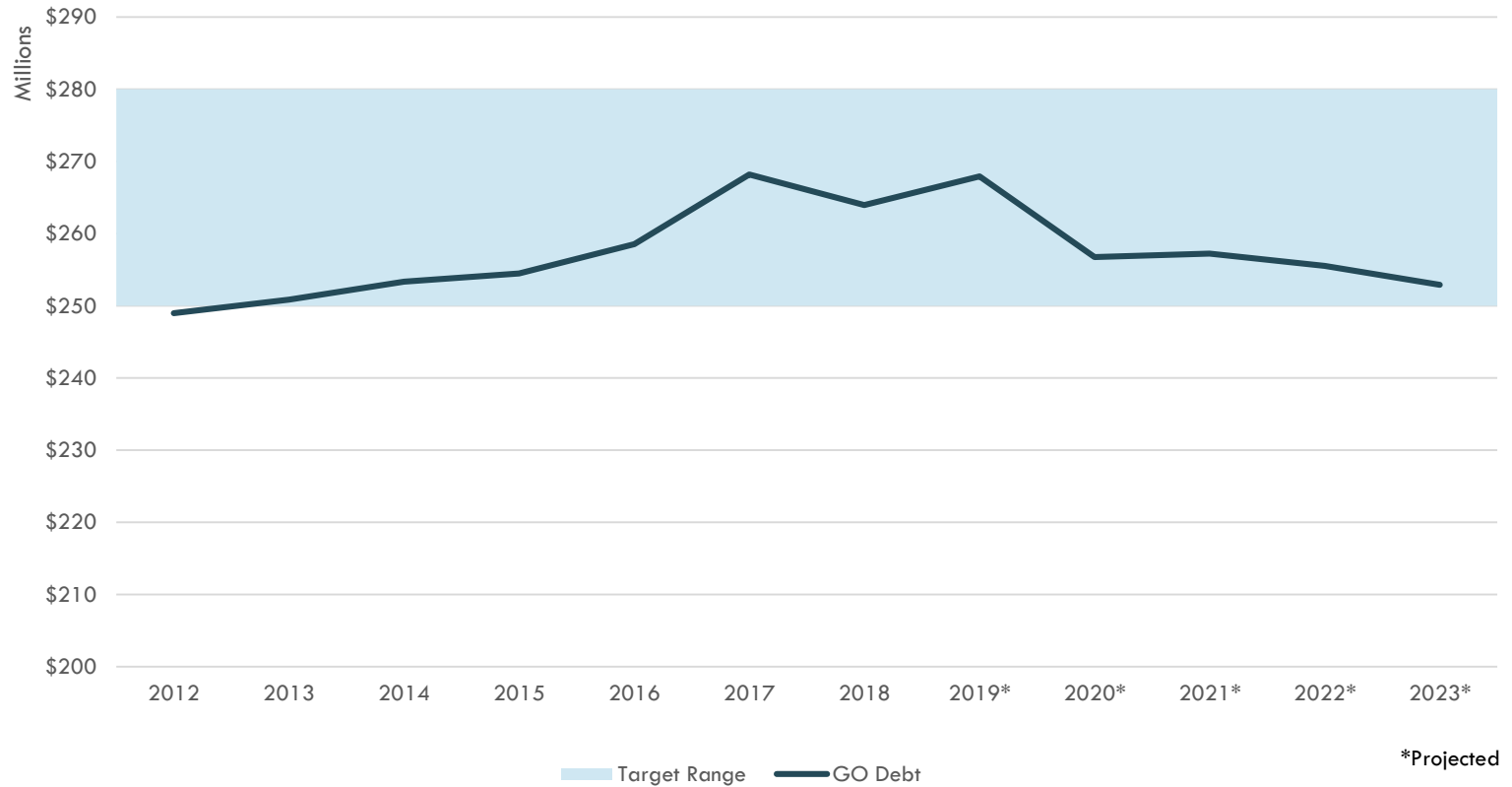
Lease Appropriation	5,493,970
Recycling and Trash Fees	4,933,000
Water Revenue	37,563,000
Sewer Revenue	79,620,000
Sales Tax	88,995,000
Subtotal	<u>216,604,970</u>

Total

480,568,934

G.O. Debt Outstanding

Outstanding G.O. Debt

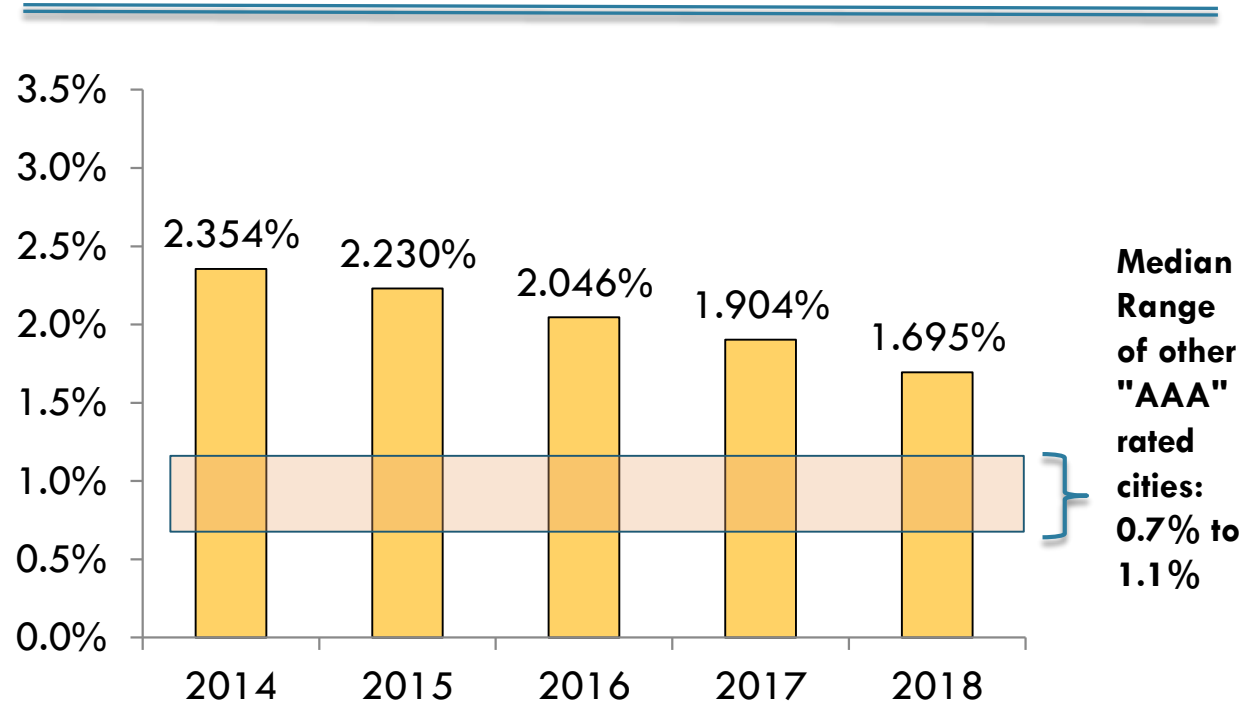


City Debt Burden

WHAT IS DEBT BURDEN?

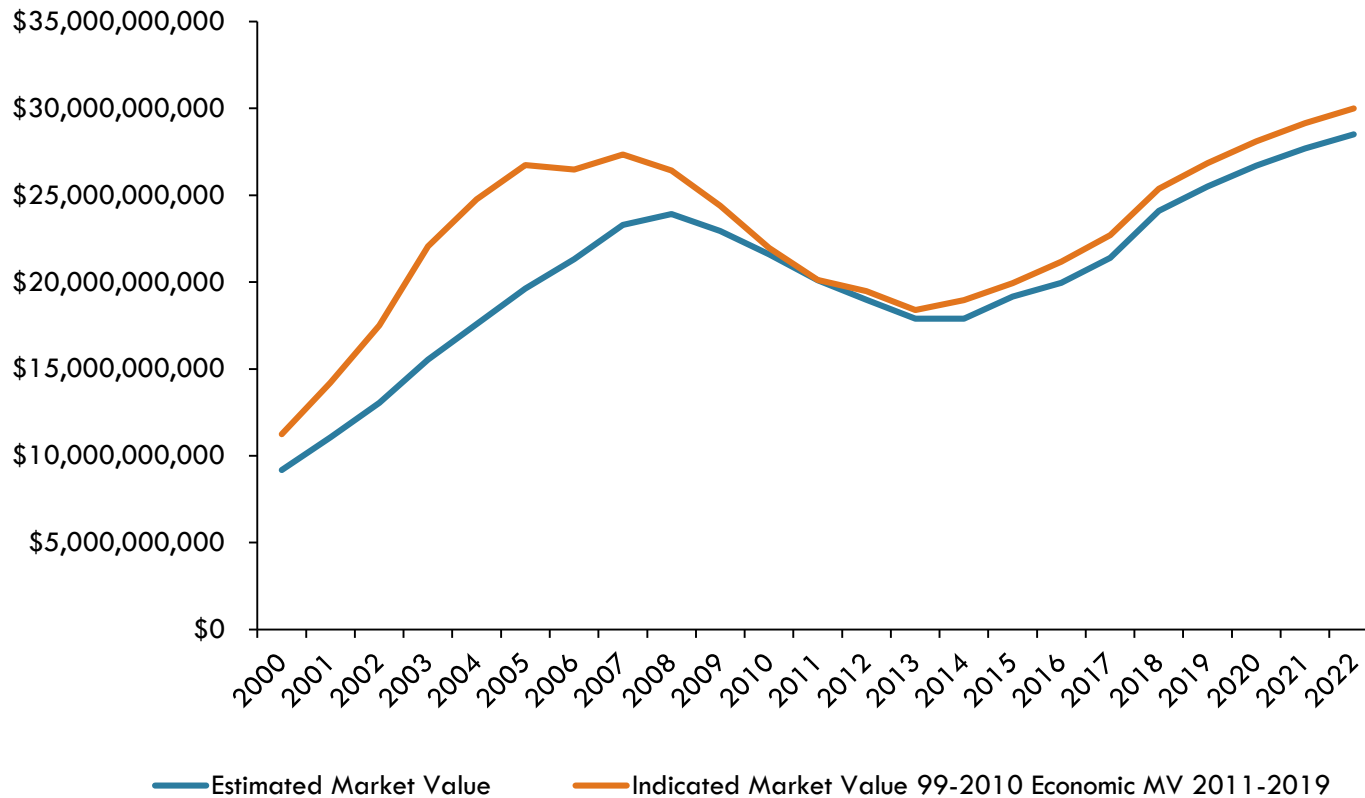
* Debt Burden is an industry standard ratio showing the total amount of debt outstanding to the economic market value of real estate, as a percentage. It simply shows how the City is leveraging the tax base. This ratio is key to the City's bond ratings, as ultimately, the tax base is repaying the debt in the form of levy. The higher the debt burden, the more leveraged a community is – with less flexibility to issue more debt in the future. Low debt burden is a credit positive.

3% Maximum



Trends in Economic Market Value

Estimated Market Value and Economic Market Value



Debt and Contingent Liabilities Ratios

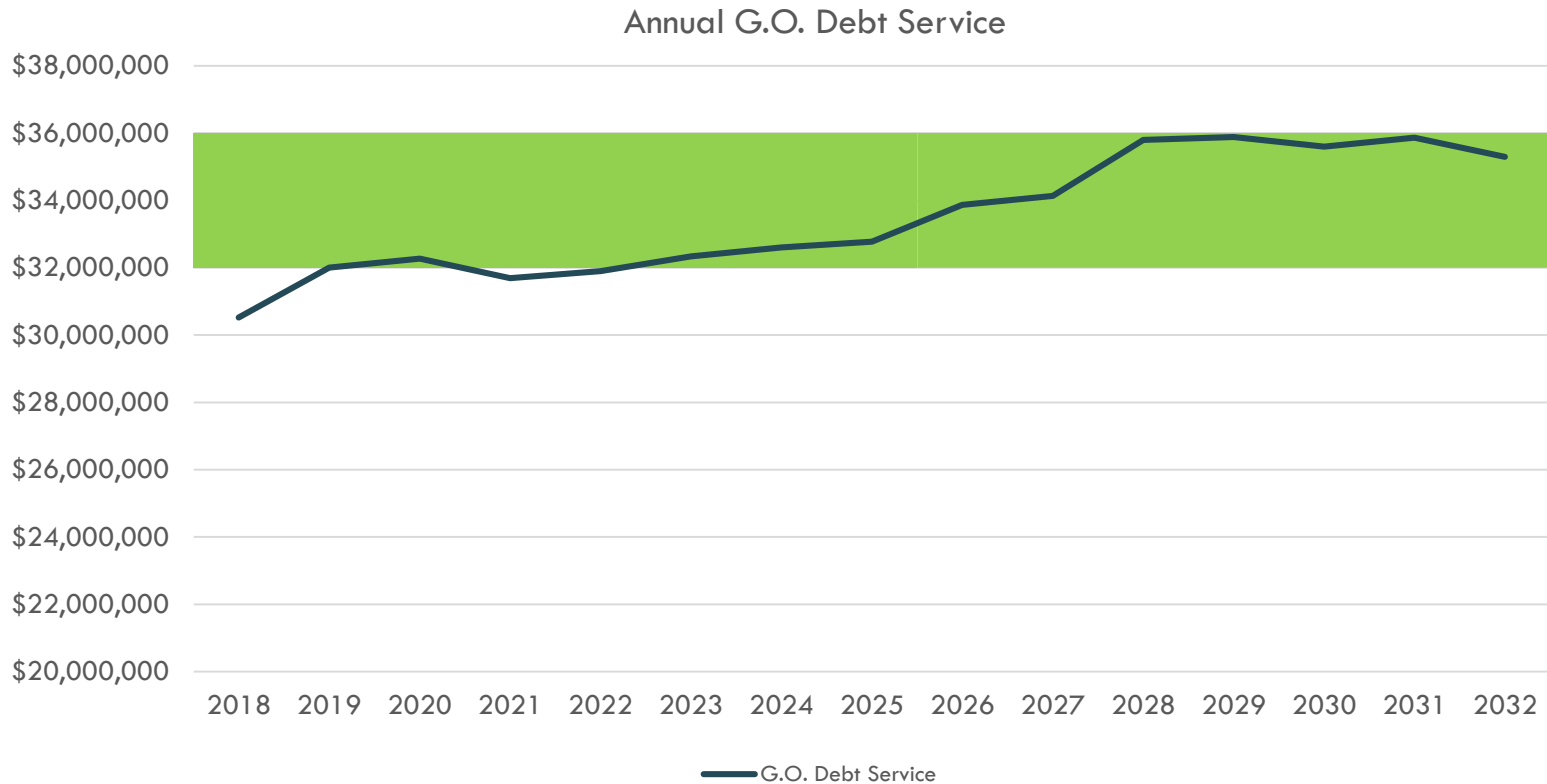
Net Direct G.O. Debt	263,936,964
Governmental Funds Revenue	<u>454,702,323</u>
Net Direct Debt as a % of total governmental funds revenue	58%
Total Governmental Funds Debt Service	43,920,367
Governmental Funds Expenditures	<u>531,447,687</u>
Total Governmental Funds Debt Service as a % of Total Governmental Funds Expenditures	8%

Table 14
Assessing The Debt And Contingent Liabilities Score (see paragraphs 78-84)

	Net Direct Debt As % Of Total Governmental Funds Revenue				
Total Governmental Funds Debt Service As A % of Total Governmental Funds Expenditures	<30	30 to 60	60 to 120	120 to 180	≥180
< 8	1	2	3	4	5
8 to 15	2	3	4	4	5
15 to 25	3	4	5	5	5
25 to 35	4	4	5	5	5
≥35	4	5	5	5	5

A score of 1, 2, 3, 4 and 5 are very strong, strong, adequate, weak and very weak, respectively.

Debt Service on G.O. Debt Target Range



Long term Debt model targets \$32-\$36M in annual debt service.

Debt Levy

	<u>2018 Adopted</u>	<u>2019 Adopted</u>	<u>Amount Change</u>	<u>Pct. Change</u>	<u>Pct of City 18 Total</u>	<u>Pct of City 19 Total</u>
City of Saint Paul						
General Fund	107,317,615	119,827,734	12,510,119	11.66%	77.0%	77.8%
General Debt Service	14,009,268	15,233,758	1,224,490	8.74%	10.1%	9.9%
Saint Paul Public Library Agency	17,985,237	18,879,346	894,109	4.97%	12.9%	12.3%
Total (City and Library combined)	139,312,120	153,940,838	14,628,718	10.50%	100.0%	100.0%
Port Authority	1,961,700	2,111,700	150,000	7.65%		
Overall Levy (City, Library & Port)	141,273,820	156,052,538	14,778,718	10.46%		

2015-2019 Refunding Bond Savings

Security and Series	Year Refunded	Par Amount of Refunded Bonds	Present Value (PV) Savings	PV %	Average Annual Savings	Original Final Maturity
Sewer Revenue						
2006C Sewer Revenue Bonds	2016	\$ 2,260,000	\$ 166,668	6.90%	\$ 91,150	12/1/2020
2008D Sewer Revenue Bonds	2016	\$ 15,425,000	\$ 1,422,527	7.96%	\$ 264,084	12/1/2027
2009C Sewer Revenue Bonds	2016	\$ 6,325,000	\$ 363,725	5.01%	\$ 80,654	12/1/2028
HRA Lease Revenue						
2008 Jimmy Lee	2016	\$ 5,495,000	\$ 974,095	13.63%	\$ 72,265	12/1/2032
Sales Tax Revenue						
2007A Subordinate Sales Tax Rev ¹	2016	\$ 10,580,000	\$ 2,725,773	19.59%	\$ 290,123	12/31/2030
2007B Taxable Subordinate Sales Tax Rev ¹	2016	\$ 10,670,000	\$ 1,247,647	9.77%	\$ 322,822	12/31/2025
General Obligation Public Safety						
2008C GO Public Safety	2017	\$ 7,580,000	\$ 646,389	7.83%	\$ 45,745	12/1/2033
2009E GO Public Safety ²	2019	\$ 9,275,000	\$ 911,606	9.83%	\$ 66,186	12/1/2034
General Obligation Special Assessment						
2008B GO Street Improvement Bonds	2016	\$ 7,180,000	\$ 794,549	9.63%	\$ 99,945	5/1/2028
2009B GO Street Improvement Bonds	2016	\$ 5,915,000	\$ 454,230	6.73%	\$ 62,183	5/1/2029
2010C GO Street Improvement Bonds	2015	\$ 10,180,000	\$ 549,034	4.60%	\$ 40,284	5/1/2030
HRA Parking Revenue						
2010A&B Parking Revenue	2017	\$ 29,955,000	\$ 3,995,897	11.27%	\$ 327,870	8/1/2035
HRA GO TIF						
2009G General Obligation Tax Increment Refui	2018	\$ 14,500,000	\$ 738,913	2.93%	\$ 82,101	2/1/2025
Total		\$ 135,340,000	\$ 14,991,054		\$ 1,845,411	

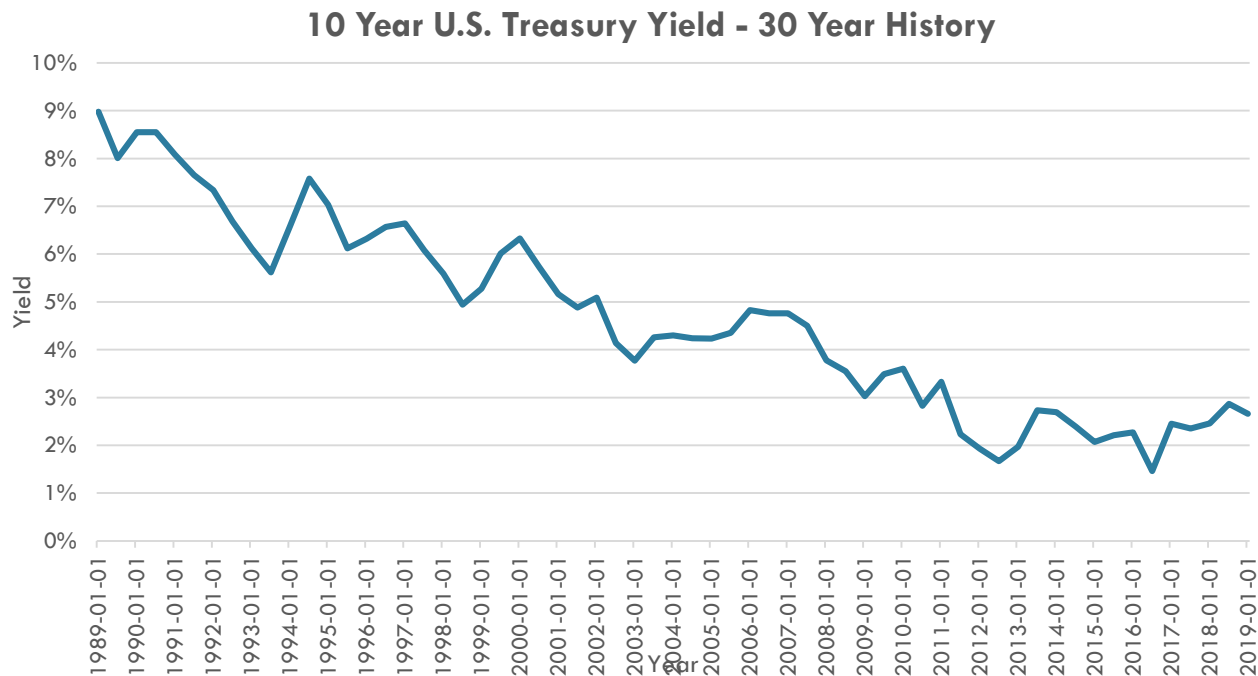
¹ The debt savings shown is estimated variable rate debt.

² This debt will be refunded in Q2 2019. The data provided are estimated savings.

Market Update

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- Interest rates still remain low
- Continues to be a favorable borrowing environment for issuers looking to fund capital projects and refinance debt



2019 Debt Strategy

City of Saint Paul 2019 Debt Summary

New Money

<u>Issue</u>	<u>Estimated Amount</u>	<u>Security/Authority</u>	<u>Project</u>
2019D	\$ 13,230,000	G.O. CIB	Capital Improvements
2019D	4,947,520	G.O. Capital Notes	Public Safety Vehicles and Equipment and PW Bridge Inspection Vehicle
2019E	8,000,000	Sewer Revenue	Capital Maintenance Projects
2019F	12,500,000	G.O. Street Reconstruction	St. Paul Street Vitality Program
Revenue Notes	1,414,000	Revenue Notes	Snelling-Midway District Stormwater
Water Revenue	6,600,000	Water Revenue	Water CIP
Total New Money	\$ 46,691,520		

Potential Refundings

<u>Issue</u>	<u>Amount Outstanding</u>	<u>Security</u>	<u>Project</u>
Series 2009E	9,275,000	G.O. Public Safety	Western District Police Station & Fire Stations 1&10
Series 2001	4,002,000	People Connection Lease	Ramsey County Pedestrian Connection
2017D	8,645,000	G.O. Special Assessments	St. Paul Street Vitality Program 2017D
Total Potential Refundings	\$ 21,922,000		

Questions

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Please contact Michael Solomon at Michael.Solomon@ci.stpaul.mn.us
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Visit the City's Investor Relations Website!

<https://www.stpaulbonds.com/city-of-saint-paul-minnesota-mn/i565>

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Saint Paul Minnesota
Investor Relations

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Wells Fargo ice rink in front the Landmark Center

POPULATION OF 304,442'	G.O. BOND RATINGS AAA/AAA'	OUTSTANDING BONDS 492,869,235'
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