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CITY OF SAINT PAUL

Debt and Bonding

Sarah Brown, City Treasurer

Neal Younghans, Debt Manager



Agenda

- Bonding 101
- Credit Ratings
- Bond Sales
 - Authority and Oversight
 - Process and Key Participants
 - Investor Relations
- Debt Management
 - Debt Portfolio
 - Levy and G.O. Debt Service
 - Refundings
- State Bonding



Bonding 101



What is a bond?

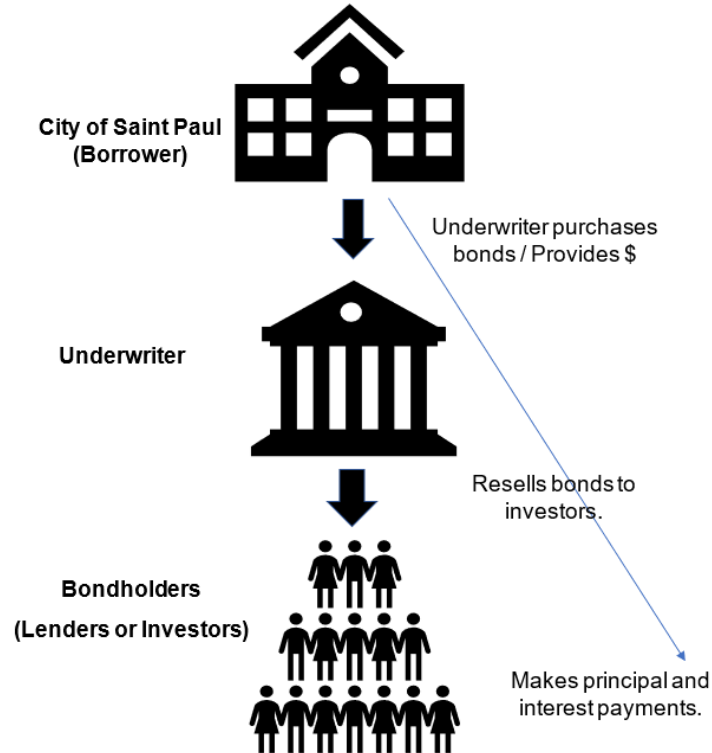
- A loan, an IOU. Essentially a contract to repay a fixed amount at a specified time.





What is a bond?

- Borrowers are municipalities, counties, schools, or states.
- Underwriters are financial institutions
- Lenders are referred to as bondholders or investors.
- Borrowers pay principal and interest (debt service)





Municipal bond types

- General Obligation (GO) Bonds – For Saint Paul, that means a pledge to use property tax debt levy to repay bondholders
 - GO Capital Improvement Budget (GO CIB)
 - Street Reconstruction Bonds
- Revenue Bonds - Unlike GOs, revenue bonds are secured by a pledge by the specific revenue generating source
 - Water Revenue Bonds – utility users, ratepayers
 - Sales Tax Revenue Bonds – general sales tax revenues
 - Sewer Revenue Bonds – utility users, ratepayers
 - Parking Revenue Bonds – parking users, meter collections and fines



Why do we bond?

- Pay for capital projects
- Affordability
 - Allows for lower, predictable payments over a period of time
- Generational Equity
 - Fairness between generations
 - Aligns users of projects with expenses
 - *Ex. Lake McCarron's Water Treatment Plant project*

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



Example: Lake McCarron's Water Treatment Plant

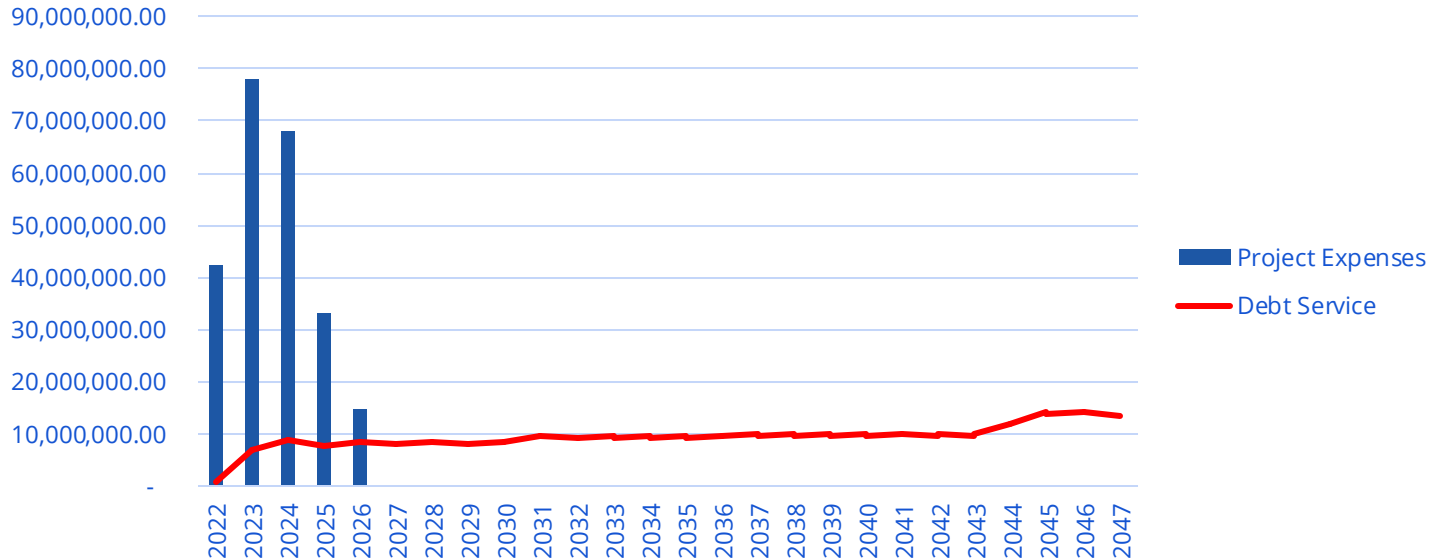
- Saint Paul Regional Water Service (SPRWS)
 - Supplies water and services to Saint Paul and surrounding suburbs
 - Owner and operated by Board of Water Commissioners
- Located in Maplewood
- Replacing 100-year-old infrastructure
- \$236M project budget
- Construction began in Feb. 2022 – completion is expected in Fall of 2026





Example: Lake McCarron's Water Treatment Plant

- Project Budget: \$236M



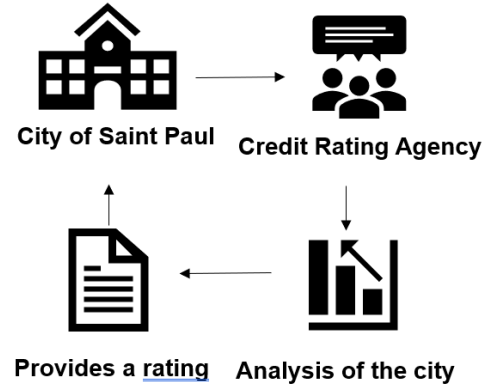


Credit Ratings



What is a credit rating?

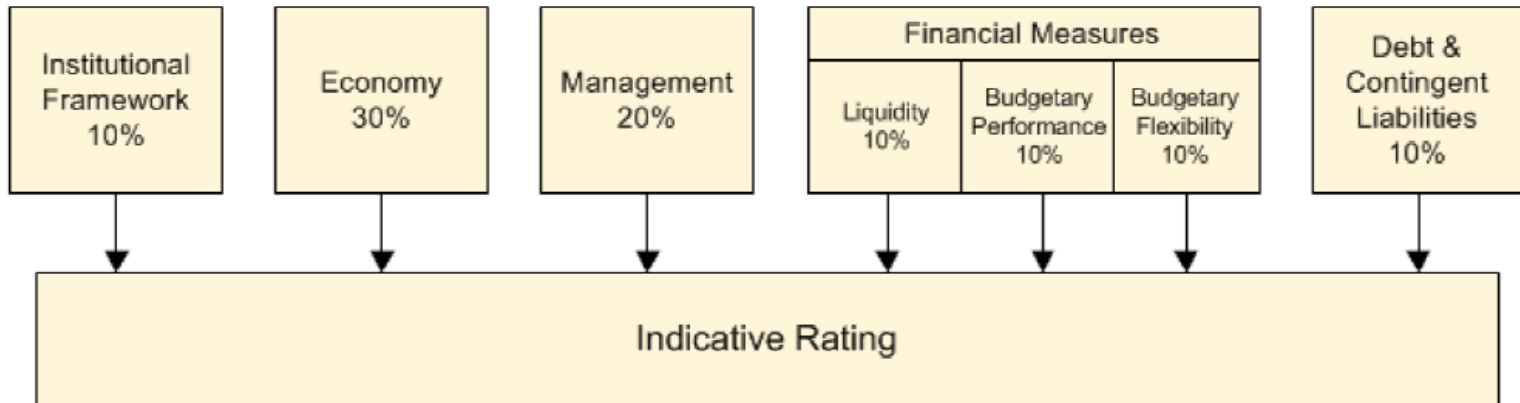
- Measure's borrowers ability and willingness to repay debt
- Serves as an independent third-party assessment
- Saint Paul's "AAA" rating with stable outlook is the highest possible rating and translates to the lowest borrowing cost.
- Bonds may be rated by one or more of the four major credit rating agencies: Moody's, **Standard & Poor's (S&P)**, **Fitch**, or Krohl



Investment Grade Quality	Moody's	S&P and Fitch
Highest Quality	Aaa	AAA
High Quality	Aa1	AA+
	Aa2	AA
	Aa3	AA-
Upper Medium Quality	A1	A+
	A2	A
	A3	A-
Medium Quality	Baa1	BBB+
	Baa2	BBB
	Baa3	BBB-



Credit Rating Methodology





Saint Paul's AAA GO Ratings – S&P and Fitch

- 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
 - Marginal increase of debt levels
 - Pension pressures



Credit Rating History

Official Statement Date	Issue	Rating Agency					
		Moody's Rating	Outlook	S&P	Outlook	Fitch	Outlook
March 17th, 2005	2005A	Aa2	Positive	AAA	Stable		
March 27th, 2006	2006A	Aa2	Stable	AAA	Stable		
April 25th, 2007	2007C	Aa2	Stable	AAA	Stable		
February 4th, 2008	2008A	Aa2	Stable	AAA	Stable		
September 21st, 2009	2009F	Aa2	Stable	AAA	Stable		
February 17th, 2010	2010B	Aa2	Positive	AAA	Stable		
March 14th, 2011	2011A	Aa1	Positive	AAA	Stable		
March 28th, 2012	2012A	Aa1	Stable	AAA	Stable		
April 1st, 2013	2013B	Aa1	Stable	AAA	Stable		
April 16th, 2014	2014A			AAA	Stable	AAA	Stable
May 5th, 2015	2015A			AAA	Stable	AAA	Stable
March 29th, 2016	2016A			AAA	Stable	AAA	Stable
March 16th, 2017	2017A			AAA	Stable	AAA	Stable
May 7th, 2018	2018C			AAA	Stable	AAA	Negative
June 19th, 2019	2019D			AAA	Stable	AAA	Negative
February 19th, 2020	2020A			AAA	Stable	AAA	Stable
April 21st, 2021	2021A			AAA	Stable	AAA	Stable
March 16th, 2022	2022A			AAA	Stable	AAA	Stable
August 22nd, 2023	2023D			AAA	Stable	AAA	Stable



Other Credit Ratings

Credit	S&P Ratings	Outlook
Water Revenue	AAA	Stable
Sewer Revenue	AAA	Stable
Sales Tax Revenue (0.5%)	AA-	Stable
HRA Parking Revenue	A+	Stable

All Saint Paul credit ratings and reports can be found on the City's Investor Relations website at <https://www.stpaulbonds.com/city-of-saint-paul-minnesota-mn/bonds/i565#anchor-bond-ratings>



Bond Sales



Authority and Oversight

- 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 Issuance Process





Key Bond Sale Participants

Issuer (The City)	Underwriter(s)
<ul style="list-style-type: none">• The borrower• Sells bonds to the bondholder	<ul style="list-style-type: none">• Purchases bonds from issuer and resells to bondholders

Municipal Advisor (Baker Tilly, PFM, Ehlers)	Bond Counsel (Ballard Spahr)	Credit Rating Agency (S&P, Fitch)
<ul style="list-style-type: none">• Fiduciary of the Issuer• Advise on feasibility, structure, terms and manage issuance process through closing• Debt Management and Compliance	<ul style="list-style-type: none">• Does issuer have authority to issue bonds?• Did they follow the process outlined in statutes?• Are the bonds tax-exempt?	<ul style="list-style-type: none">• Provides a neutral, third-party credit assessment of issuer



Saint Paul Investor Relations Website

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

Saint Paul Investor Relations

NEWS UPDATE
Here are the first projects St. Paul's new sales tax will pay for
Feb 29, 2024
[View News →](#)

NEWS UPDATE
St. Paul commits nearly \$32 million in first phase of tax subsidies for...
Feb 20, 2024
[View News →](#)

NEWS UPDATE
Giant Loon Statue Announced for Midway and United Village
Feb 16, 2024
[View News →](#)

NEWS UPDATE
Over 40 miles of St. Paul roads to be re-done through sales tax increase
Nov 12, 2023
[View News →](#)



Preliminary Debt Strategy

Issue	Security/Authority	Project	Estimated Amount
2024-1	Water Revenue	Lead Service Line Replacement	\$15,000,000
2024A	G.O. Street Reconstruction	St. Paul Street Vitality Program	12,500,000
2024A	G.O. Mill and Overlay	St. Paul Mill and Overlay Program	4,000,000
2024B	G.O. CIB	Capital Improvements	4,545,000
2024B	G.O. CIB	Previously Authorized, Unissued Capital Improvements	25,567,000
2024B	G.O. Capital Notes	Public Safety Vehicles and Equipment	2,400,000
2024B	G.O.	OTC - Technology Upgrades	5,200,000
2024C	Sewer Revenue	Capital Maintenance Projects	15,000,000
		North End Community Center, Fire Station 7, Pedro	
2024D	Sales Tax Revenue – 0.5%	Park	27,850,000
2024D	Sales Tax Revenue – 0.5%	Electric Fire Truck	1,800,000
2024-2	Water PFA Note	Lake McCarrons WTP	29,000,000
2024E	429 Special Assessment Bonds	United Village - Public Infrastructure	3,000,000
2024F	Sales Tax Revenue – 1%	Parks and Public Works Capital Projects	32,000,000
		Total New Money	<u><u>\$177,862,000</u></u>



2024 Timeline

- GO Bonds – 2024A&B
 - June sale
- PFA Note – 2024-1
 - July closing
- Sewer - 2024C
 - July sale
- Sales Tax – 2024D
 - August sale



Debt Management



Outstanding Debt Portfolio

As of September 14, 2023

General Obligation Bonds

General Obligation Tax Levy	\$151,100,000
General Obligation Levy (Library)	7,915,000
General Obligation Special Assessment	62,860,000
General Obligation Tax Increment	10,795,000
Subtotal	<u>\$232,670,000</u>

Revenue Bonds

Lease Payments	\$ 2,372,000
Recycling and Trash Fees	854,000
Special Assessment Revenue	7,804,000
Water Revenue	199,060,000
Sewer Revenue	87,575,000
Sales Tax	82,135,000
Subtotal	<u>\$379,800,000</u>

Total

\$379,800,000
\$612,470,000



Debt Levy

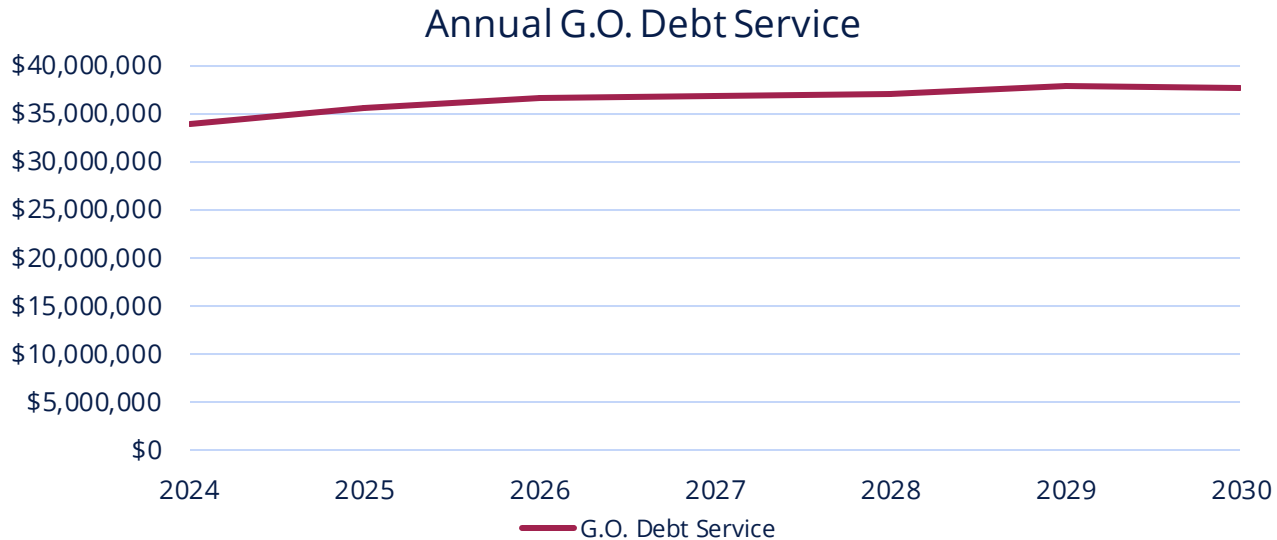
Property Tax Levy

City of Saint Paul	2023 Adopted	2024 Adopted	Amount Change	Percent Change	Percent of City 2023 Total	Percent of City 2024 Total
General Fund	155,780,139	160,078,894	4,298,755	2.8%	78.50%	77.81%
General Debt Service	21,648,845	23,179,457	1,530,612	7.1%	10.91%	11.27%
Saint Paul Public Library Agency	21,017,604	22,462,394	1,444,790	6.9%	10.59%	10.92%
Total (City and Library combined)	198,446,588	205,720,745	7,274,157	3.7%	100.00%	100.00%
Port Authority	2,611,700	2,776,700	165,000	6.3%		
Overall Levy (City, Library, and Port)	201,058,288	208,497,445	7,439,157	3.7%		



What is debt service?

- Annual principal and interest payments





Bond Refundings

- Bond refinancings or “refundings” are used to achieve debt service savings on outstanding bonds
 - *Ex.) a 30-year home mortgage*
- Refunding bonds can also be issued to remove or revise burdensome bond covenants or to restructure debt service payments.



Refunding Opportunities

<u>Issue</u>	<u>Project</u>	<u>Amount Outstanding</u>
2000	Ramsey County Pedestrian Connection	\$2,372,000
2010A	Koch/Mobil Project	1,205,000
2014B	Street Improvement Bonds	13,345,000
2014C	Library Bonds	4,525,000
2014G	Capital Improvements - Citywide	28,215,000
2014E	Sewer Revenue Bonds	5,245,000
2015B	Sewer Revenue Bonds	5,945,000
2016B	Sewer Revenue Bonds	5,835,000
2016D	Sewer Revenue Bonds	10,015,000
2016E	Capital Improvements	3,750,000
2019C	Sales Tax Refunding	10,225,000
2020E	Highland Bridge Stormwater	6,980,000
	Total	\$97,657,000



Finance Policies

- General Fund Fund Balance Policy
 - *Fund balance should not drop below 15% of budget*
- 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*
- Capital Projects and Bond Proceeds Cancellation Policy



State Bonding



State Bonding

- State bonding bill - required every even numbered year (but can be odd as well)
 - Local government requests due in June
 - Governor submits to the legislature in January of even year
- Super majority (3/5ths) for bonding bills
- Local match required – usually from Capital Improvement Budget
- 2023 Legislative Session Projects
 - Mississippi River Learning Center - \$8M
 - Parks at River's Edge - \$6.22M
 - North End Community Center - \$6M



Resources

- State Bonding: <https://mn.gov/mmb/debt-management/>
- Electronic Municipal Market Access (EMMA):
<https://emma.msrb.org/IssuerHomePage/Issuer?id=0D54B2D4D27549E2E053151E0A0A1BCB&type=M>
- Joint Debt Advisory Committee (JDAC) Report:
https://www.stpaul.gov/sites/default/files/2023-02/2021%20JDAC%20Report%20Final_0.pdf
- Video on Bond Issuance Process: <https://www.msrb.org/Education/Issuance-Process>
- GFOA Best Practices: <https://www.gfoa.org/best-practices/debt-best-practices>



Questions?