RES 12- 2159

COMPLETIONS AND CONFORMING DETAILS
FOR
GENERAL OBLIGATION CAPITAL NOTES, SERIES 2012D

There is before this Council a draft resolution for the sale of the above general obligation capital notes that requires certain completions and details that conform to those. The Clerk or bond counsel for the Series 2012D Notes shall revise the draft resolution to read as it should with the completions and details provided here directly or by reference to other materials before this Council. Spots in the resolution are noted in the second column. The third column is optional but may contain the completion or note the specific source of the other materials.

COMPLETIONS AND DETAILS		SPOTS IN THE RESOLUTION	COMPLETION, DETAIL OR SOURCE (OPTIONAL)
1.	Principal Amounts. Other materials before this Council indicate the principal amount of the Series 2012D Notes and the principal amounts of each maturity.	Section 1.01, 1.03, Exhibit A, Exhibit B	Par amount has changed from a proposed $8,000,000 to $7,575,000
2.	Winning Proposer. Other materials before this Council indicate the Purchaser, whose name shall be inserted in the paragraph 1.03.	¶1.03	Robert W. Baird & Company, Incorporated on behalf of itself and a syndicate described on attached A-4
3.	Purchase Price. Other materials before this Council indicate the purchase price of the Series 2012D Notes. The blank in paragraph 1.03 shall be completed with purchase price.	¶1.03	$8,048,839.79 (the principal amount of the Series 2012D Notes ($7,575,000.00), plus original issue premium of $528,119.40, less a Purchaser's discount of $54,279.61)
4.	Interest Rates, Yield & Price. Other materials before this Council indicate the interest rates for the maturity dates of the Series 2012D Notes, and the schedule in Exhibit B shall be completed for the principal amounts, interest rates, yield and price along with the true interest cost for the Series 2012D Notes.	Exhibit B	See attached schedules on pages A-1 and A-2 True Interest Cost is 1.2815%
5.	Tax Levies. A schedule of tax levies is before this Council, and Exhibit C shall be completed in conformance therewith.	Exhibit C	See attached schedule on page A-3
6.	Proposers. A listing of the proposers on the Series 2012D Notes is before this Council, and Exhibit D shall be completed in conformance therewith.	Exhibit D	See attached bid tabulation on pages A-4 and A-5

SA385-54 (BWJ)
4115250v.2

$7,575,000
City of Saint Paul, Minnesota
General Obligation Capital Notes, Series 2012D
(COMET)

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price		Dollar Price
10/01/2013	Serial Coupon	2.000%	0.300%	650,000.00	101.324%		658,606.00
10/01/2014	Serial Coupon	2.000%	0.360%	725,000.00	102.907%		746,075.75
10/01/2015	Serial Coupon	3.000%	0.500%	715,000.00	106.894%		764,292.10
10/01/2016	Serial Coupon	3.000%	0.600%	715,000.00	108.957%		779,042.55
10/01/2017	Serial Coupon	3.000%	0.750%	725,000.00	110.545%		801,451.25
10/01/2018	Serial Coupon	2.000%	0.880%	770,000.00	106.298%		818,494.60
10/01/2019	Serial Coupon	3.000%	1.040%	775,000.00	112.799%		874,192.25
10/01/2020	Serial Coupon	3.000%	1.230%	800,000.00	113.093%		904,744.00
10/01/2021	Serial Coupon	2.000%	1.440%	830,000.00	104.107%	c	864,088.10
10/01/2022	Serial Coupon	2.000%	1.650%	870,000.00	102.544%	c	892,132.80
Total	-	-	-	$7,575,000.00	-	-	$8,103,119.40

Bid Information

Par Amount of Bonds	$7,575,000.00
Reoffering Premium or (Discount)	528,119.40
Gross Production	$8,103,119.40
Total Underwriter's Discount (0.717%)	$(54,279.61)
Bid (106.255%)	8,048,839.79
Total Purchase Price	$8,048,839.79
Bond Year Dollars	$41,682.71
Average Life	5.503 Years
Average Coupon	2.4710940%
Net Interest Cost (NIC)	1.3343161%
True Interest Cost (TIC)	1.2815867%

$7,575,000

City of Saint Paul, Minnesota

General Obligation Capital Notes, Series 2012D
(COMET)

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
10/01/2013	650,000.00	2.000%	147,368.89	797,368.89
04/01/2014	-	-	87,900.00	87,900.00
10/01/2014	725,000.00	2.000%	87,900.00	812,900.00
04/01/2015	-	-	80,650.00	80,650.00
10/01/2015	715,000.00	3.000%	80,650.00	795,650.00
04/01/2016	-	-	69,925.00	69,925.00
10/01/2016	715,000.00	3.000%	69,925.00	784,925.00
04/01/2017	-	-	59,200.00	59,200.00
10/01/2017	725,000.00	3.000%	59,200.00	784,200.00
04/01/2018	-	-	48,325.00	48,325.00
10/01/2018	770,000.00	2.000%	48,325.00	818,325.00
04/01/2019	-	-	40,625.00	40,625.00
10/01/2019	775,000.00	3.000%	40,625.00	815,625.00
04/01/2020	-	-	29,000.00	29,000.00
10/01/2020	800,000.00	3.000%	29,000.00	829,000.00
04/01/2021	-	-	17,000.00	17,000.00
10/01/2021	830,000.00	2.000%	17,000.00	847,000.00
04/01/2022	-	-	8,700.00	8,700.00
10/01/2022	870,000.00	2.000%	8,700.00	878,700.00
Total	$7,575,000.00	-	$1,030,018.89	$8,605,018.89

SIGNIFICANT DATES

Dated Date........ 12/20/2012
Delivery Date........ 12/20/2012
First Coupon Date........ 10/01/2013

Yield Statistics

Bond Year Dollars........ $41,682.71
Average Life........ 5.503 Years
Average Coupon........ 2.4710940%

Net Interest Cost (NIC)........ 1.3343161%
True Interest Cost (TIC)........ 1.2815867%
Bond Yield for Arbitrage Purposes........ 1.1010651%
All Inclusive Cost (AIC)........ 1.4190803%

IRS Form 8038

Net Interest Cost........ 1.1214312%
Weighted Average Maturity........ 5.523 Years

$7,575,000

City of Saint Paul, Minnesota

General Obligation Capital Notes, Series 2012D
(COMET)

Post-Sale Tax Levies

Payment Date	Principal	Coupon	Interest	Total P+I	105% Overlevy	Levy Amount	Levy/Collect Year
10/01/2013	650,000.00	2.000%	147,368.89	797,368.89	837,237.33	837,237.33	2011/2012
10/01/2014	725,000.00	2.000%	175,800.00	900,800.00	945,840.00	945,840.00	2012/2013
10/01/2015	715,000.00	3.000%	161,300.00	876,300.00	920,115.00	920,115.00	2013/2014
10/01/2016	715,000.00	3.000%	139,850.00	854,850.00	897,592.50	897,592.50	2014/2015
10/01/2017	725,000.00	3.000%	118,400.00	843,400.00	885,570.00	885,570.00	2015/2016
10/01/2018	770,000.00	2.000%	96,650.00	866,650.00	909,982.50	909,982.50	2016/2017
10/01/2019	775,000.00	3.000%	81,250.00	856,250.00	899,062.50	899,062.50	2017/2018
10/01/2020	800,000.00	3.000%	58,000.00	858,000.00	900,900.00	900,900.00	2018/2019
10/01/2021	830,000.00	2.000%	34,000.00	864,000.00	907,200.00	907,200.00	2019/2020
10/01/2022	870,000.00	2.000%	17,400.00	887,400.00	931,770.00	931,770.00	2020/2021
Total	$7,575,000.00	-	$1,030,018.89	$8,605,018.89	$9,035,269.83	$9,035,269.83	-

Springsted Incorporated
380 Jackson Street, Suite 300
Saint Paul, MN 55101-2887
Tel: 651-223-3000
Fax: 651-223-3002
Email: advisors@springsted.com
www.springsted.com

$8,000,000*

CITY OF SAINT PAUL, MINNESOTA

GENERAL OBLIGATION CAPITAL NOTES, SERIES 2012D

(BOOK ENTRY ONLY)

AWARD: **ROBERT W. BAIRD & COMPANY, INCORPORATED AND SYNDICATE**

SALE: **December 5, 2012**

Moody's Rating: Aa1
Standard & Poor's Rating: AAA

Bidder	Interest Rates		Price	Net Interest Cost	True Interest Rate
ROBERT W. BAIRD & COMPANY, INCORPORATED	2.00%	2013-2014	$8,500,388.60	$568,594.46	1.2681%
C.L. KING & ASSOCIATES	3.00%	2015-2017			
COASTAL SECURITIES L.P.	2.00%	2018			
KILDARE CAPITAL	3.00%	2019-2020			
FIDELITY CAPITAL MARKETS SERVICES	2.00%	2021-2022			
EDWARD D. JONES & COMPANY					
CRONIN & COMPANY, INC.					
SAMCO CAPITAL MARKETS, INC.					
LOOP CAPITAL MARKETS, LLC					
CREWS & ASSOCIATES					
DAVENPORT & COMPANY LLC					
INCAPITAL, LLC					
STERNE, AGEE & LEACH, INC.					
ROSS, SINCLAIRE & ASSOCIATES, LLC					
WEDBUSH SECURITIES INC.					
CASTLEOAK SECURITIES, L.P.					
LAFAYETTE INVESTMENTS, INC.					
NORTHLAND SECURITIES					
DOUGHERTY & COMPANY LLC					
CITIGROUP GLOBAL MARKETS, INC.	3.00%	2013-2020	$8,564,125.65	$570,755.32	1.2683%
UBS FINANCIAL SERVICES INC.	2.00%	2021-2022			
J.P. MORGAN SECURITIES LLC					
BMO CAPITAL MARKETS GKST INC.	2.00%	2013-2015	$8,504,774.30	$588,764.87	1.3120%
MORGAN STANLEY & CO. INC.	3.00%	2016-2020			
RAYMOND JAMES & ASSOCIATES, INC.	2.00%	2021-2022			
JEFFERIES & COMPANY, INC.					

(Continued)

Bidder	Interest Rates		Price	Net Interest Cost	True Interest Rate
HUTCHINSON, SHOCKEY, ERLEY & CO.	3.00% 2.00%	2013-2015 2016-2022	$8,315,343.65	$586,887.04	1.3293%
FIRST SOUTHWEST COMPANY STIFEL, NICOLAUS & COMPANY, INCORPORATED KEYBANC CAPITAL MARKETS COMERICA SECURITIES SUNTRUST ROBINSON HUMPHREY, INC. ALAMO CAPITAL OPPENHEIMER & CO. INC. ROCKFLEET FINANCIAL SERVICES, INC.	2.00% 3.00%	2013-2014 2015-2022	$8,640,023.75	$631,656.11	1.3875%

REOFFERING SCHEDULE OF THE PURCHASER

Rate	Year	Yield
2.00%	2013	0.30%
2.00%	2014	0.36%
3.00%	2015	0.50%
3.00%	2016	0.60%
3.00%	2017	0.75%
2.00%	2018	0.88%
3.00%	2019	1.04%
3.00%	2020	1.23%
2.00%	2021	1.44%
2.00%	2022	1.65%

BBI: 3.29%
Average Maturity: 5.381 Years

* *Subsequent to bid opening, the issue size decreased from $8,000,000 to $7,575,000.*

Springsted

Springsted Incorporated
380 Jackson Street, Suite 300
Saint Paul, MN 55101-4705

Tel: 651-223-3000
Fax: 651-223-3002
www.springsted.com

December 5, 2012

Mr. Todd Hurley, Director of Financial Services
Office of Financial Services
700 City Hall
15 West Kellogg Boulevard
Saint Paul, Minnesota 55102

Re: **Recommendations for Award of the City of Saint Paul's $8,000,000 General Obligation Capital Notes, Series 2012D**

Dear Mr. Hurley:

This letter summarizes the results of the competitive bids received this morning at 10:30 for the Issue listed above.

Purpose and Repayment Sources of Issues

The purposes of the Series 2012D General Obligation Capital Notes are to finance a portion of the City's Operation Modernization and Enterprise Transformation Project (the "COMET Project"). The Issue is repaid by general property taxes.

Sale Results

The City received five bids on the Series 2012D G.O. Capital Notes.

Rank Bidder	TIC
Robert Baird	1.268%
Citigroup	1.268%
BMO	1.312%
Hutchinson, Shockey Erley	1.329%
FirstSouthwest	1.398%

* Initial principal amounts prior to bidding.

The lowest (or best) bid was received from Robert W. Baird at a true interest rate of 1.268%. Our estimate of interest rates from November 7th for this Issue was 1.53%, based on the market at that time.

The winning bid was a premium bid, meaning that the interest rates bid were above current market levels. To offset this interest rate difference, the winning bidder provides the City with an upfront payment - the premium. The City is using the premium to fund a portion of the first year's debt service and to reduce the amount of the Issue. The amount of the Issue has been reduced to $7,575,000 from the original amount of $8,000,000. The amount of project funding will remain unchanged.

We require bidders to submit their bids on a true interest rate (TIC) basis to reflect the present value of their bids and, thereby, ensure the award is based on the lowest cost to Saint Paul. We have enclosed bid tabulation forms for the Issue summarizing the bid specifics and composition of each underwriting syndicate.

Recommendations

We recommend award of sale to Robert W. Baird.

Basis of Recommendations

The City received a reasonable number of competitive bids through this process. The winning bid was well below previous estimates both initially and over the last few weeks. As the Tax-Exempt Market section below describes, the overall market is at historically low levels. The City achieved all of its objectives for this financing program.

Tax-Exempt Market

The tax-exempt market continues at very low levels. The national weekly index of tax-exempt interest rates, the Bond Buyer's Index (BBI), is at a new historically low point of 3.37%. This latter part of 2012 has seen interest rates fall well beyond the previously historically low levels of earlier this year. Many issuers are seeing bid results at their all-time lowest level.

Credit Rating

The City received separate ratings on its general obligation bonds from both Standard & Poor's (S&P) and Moody's Investors Service. In both cases, the ratings were reaffirmed by the agencies. The agencies often also apply an "outlook"- positive, stable or negative - to the rating. The outlook is defined as if current trends continue the rating will remain the same (stable outlook) or change up or down (positive or negative outlook).

	S&P	**Moody's**
General Obligation Rating	AAA (stable)	Aa1 (stable)

We congratulate the City on its overall excellent credit ratings, in particular the S&P AAA rating with a stable outlook. We again stress the importance of high credit ratings to keep interest costs low for the City in its ongoing debt program.

We welcome any questions regarding this sale process and congratulate the City of Saint Paul on completion of a successful sale process.

Respectfully submitted,

David N. MacGillivray

David N. MacGillivray, Chairman
Client Representative

dww

Enclosures

cc: Mr. Jonathan North, Deputy Director, Financial Services

Springsted

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Tel: 651-223-3000
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$8,000,000*

CITY OF SAINT PAUL, MINNESOTA

GENERAL OBLIGATION CAPITAL NOTES, SERIES 2012D

(BOOK ENTRY ONLY)

AWARD: **ROBERT W. BAIRD & COMPANY, INCORPORATED AND SYNDICATE**

SALE: **December 5, 2012**

Moody's Rating: Aa1
Standard & Poor's Rating: AAA

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COASTAL SECURITIES L.P.	3.00%	2019-2020			
KILDARE CAPITAL	2.00%	2021-2022			
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EDWARD D. JONES & COMPANY					
CRONIN & COMPANY, INC.					
SAMCO CAPITAL MARKETS, INC.					
LOOP CAPITAL MARKETS, LLC					
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INCAPITAL, LLC					
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ROSS, SINCLAIRE & ASSOCIATES, LLC					
WEDBUSH SECURITIES INC.					
CASTLEOAK SECURITIES, L.P.					
LAFAYETTE INVESTMENTS, INC.					
NORTHLAND SECURITIES					
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JEFFERIES & COMPANY, INC.					

(Continued)

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	2.00%	2016-2022			
FIRST SOUTHWEST COMPANY	2.00%	2013-2014	$8,640,023.75	$631,656.11	1.3875%
STIFEL, NICOLAUS & COMPANY, INCORPORATED	3.00%	2015-2022			
KEYBANC CAPITAL MARKETS					
COMERICA SECURITIES					
SUNTRUST ROBINSON HUMPHREY, INC.					
ALAMO CAPITAL					
OPPENHEIMER & CO. INC.					
ROCKFLEET FINANCIAL SERVICES, INC.					

REOFFERING SCHEDULE OF THE PURCHASER

Rate	Year	Yield
2.00%	2013	0.30%
2.00%	2014	0.36%
3.00%	2015	0.50%
3.00%	2016	0.60%
3.00%	2017	0.75%
2.00%	2018	0.88%
3.00%	2019	1.04%
3.00%	2020	1.23%
2.00%	2021	1.44%
2.00%	2022	1.65%

BBI: 3.29%
Average Maturity: 5.381 Years

* *Subsequent to bid opening, the issue size decreased from $8,000,000 to $7,575,000.*

Moody's
INVESTORS SERVICE

New Issue: Moody's assigns Aa1 rating to St. Paul's (MN) GO Capital Notes, Series 2012D; outlook remains stable

Global Credit Research - 29 Nov 2012

Aa1 rating and stable outlook applies to $251.9 million in post-sale GO debt

ST. PAUL (CITY OF) MN
Cities (including Towns, Villages and Townships)
MN

Moody's Rating

ISSUE	RATING
General Obligation Capital Notes, Series 2012D	Aa1

Sale Amount	$8,000,000
Expected Sale Date	12/11/12
Rating Description	General Obligation

Moody's Outlook

Opinion

NEW YORK, November 29, 2012 --Moody's Investors Service has assigned a Aa1 rating to the City of St. Paul's (MN) $8 million General Obligation Capital Notes, Series 2012D. Moody's maintains the Aa1 rating on the city's outstanding general obligation unlimited tax debt and Aa2 rating on the city's outstanding lease revenue debt. Post-sale, the city will have $251.9 million in GOULT debt and $15.1 million in Moody's rated lease revenue debt subject to annual appropriation. The outlook remains stable.

SUMMARY RATINGS RATIONALE

The Series 2012D notes are secured by the city's general obligation unlimited tax (GOULT) pledge. Proceeds of the bonds will finance a portion of the cost of the implementation of the City Operations Modernization and Enterprise Transformation (COMET) project. The Aa1 GOULT rating reflects the city's role as the capital of the State of Minnesota (general obligation rated Aa1/negative outlook); sizable, diverse tax base with continued redevelopment and recent declines in full valuations; consistently strong financial operations with satisfactory reserves; strong management strategies that have responded to significant revenue pressures; and favorable overall debt profile. The Aa2 rating on the lease revenue debt is one notch below the GOULT rating, incorporating the risk of annual non-appropriation. The stable outlook reflects our expectation that the city's credit quality will remain stable, despite a trend of declining assessed valuations and reductions in state aid, due to the strength of the underlying economy and the city's willingness and ability to make budgetary adjustments to maintain balanced operations.

STRENGTHS

-State capital and diverse tax base with institutional stability (including health care, education, and government) and numerous corporate headquarters

-Strong management commitment to structural balance and financial policies

CHALLENGES

-Dependence on state aid coupled with history of continued state aid cuts

-Four consecutive years of valuation declines

DETAILED CREDIT DISCUSSION

STATE CAPITAL WITH SIZEABLE AND DIVERSE TAX BASE AND ONGOING REDEVELOPMENT; DECLINING VALUATIONS

Despite evidence of a slowed local economy, we expect the city's proactive commercial and residential redevelopment efforts will contribute to steady future economic expansion in the long-term. St. Paul is the state's capital and second largest city. Mostly a mature urban city, redevelopment and new residential development resulted in previous relatively robust growth trends. In line with broader trends, valuation has declined in recent years. Full market valuation, currently valued at $18 billion, has declined over the past four years resulting in a four year (2009 - 2012) average annual rate of decline of 6.8%, compared to double digit average annual growth rates earlier in the last decade. While specific redevelopment projects do continue, officials expect overall current full valuation to continue to decline or remain flat as residential and commercial values continue to depreciate. While population grew by 5.5% between 1990 to 2000, 2010 data shows a relatively flat change in population with 0.7% decline since 2000. Property foreclosures peaked in 2008 at 2,289. Notably, foreclosures have been on the decline due in part to the city's aggressive stabilization and counseling plans, which have helped reduce foreclosure rates by 40% since 2008. In addition, the city has received over $30 million in federal funds for neighborhood stabilization. Foreclosures rates have declined to less than 1% of the city's total housing stock. In addition, officials note downtown office vacancies have dropped over 30% since 2008 with a current vacancy rate of 10%.

As the state capital, the city's economic base is characterized by a sizable government sector with a significant health care and education presence. Over 70,000 higher education students in the metro area and over 30,000 government employees provide an additional measure of economic stability. The University of Minnesota (Aa1/stable outlook; 60,000 students) borders the city, and several small colleges are located within the city. The city has continued to redevelop its downtown, adhering to a long-term strategy to revitalize the city's office, entertainment and cultural facilities, which have anchored the central business district's redevelopment efforts. Lund's has signed a lease and plans to open the only full-service grocery store downtown which would generate approximately 75 new jobs. Officials report expansions and ongoing development at various businesses and mixed use entities across the city. As evidence, building permit values increased significantly to $521 million in 2011, compared to a much lower $335 million in 2008. In addition, the Twin Cities metropolitan area is known for its strong regional planning. The Central Corridor project, a light rail that will connect the downtowns of St. Paul and Minneapolis (Aaa/stable outlook), is currently under construction and expected to be fully operational by 2014. The Union Depot station will become the city's central public transportation hub, and is expected to attract significant ancillary development.

The riverfront remains a valuable asset to the city and continues to be a target of redevelopment efforts. The Ford Motor Company's (senior unsecured rating Baa3/stable) plant closed at the end of December 2011 as planned. City officials formulated a redevelopment plan when the original closure was announced in 2006 and are currently working with Ford and potential developers for future use. Notably, Ford has continued paying property taxes and is expected to continue to do so until the property is sold. The city's unemployment rate of 6.1% as of September 2012, is higher than the state's rate of 5.3% but remains lower than the nation's rate of 7.6%, for the same time period.

STRONG FISCAL MANAGEMENT; RECENT IMPROVEMENT IN RESERVES

We expect the city to maintain healthy financial operations despite revenue pressures given management's commitment to restore reserves to historically healthier levels. The city has a history of demonstrating strong fiscal discipline especially in light of severe reductions in local government aid (LGA) from the state. The city's General Fund reserve levels have remained above its formal policy to maintain a minimum of 15% of combined General Fund and Library Fund expenditures, with an exception in fiscal 2008 when the state unallocated $5.7 million in LGA a few days prior to the city's fiscal year end, resulting in a $5 million operating deficit. As state aid revenue pressures continued, the city has responded to ongoing reductions in state aid by reducing expenditures and planned use of reserves. Notably, the city has not used reserves since fiscal 2008 due to prudent expenditure controls and increases in the property tax levy that have resulted in positive budgetary variances. As a result, the city's General Fund balance grew from $32 million, or 17.4% in fiscal 2008 to a healthier $43.5 million, or 21.1% of revenues in fiscal 2011.

Although dependence on state aid has somewhat declined from 36.2% of General Fund revenues in fiscal 2006 to 30% in fiscal 2011, stagnant state aid continues to pose pressures on city operations. For fiscal 2011, the state originally certified the full restoration of LGA to the city. However, in July 2011, the state implemented a mid-year reduction to the city of $15.6 million. The city passed an amended budget that included $5 million in expenditure reductions, $5 million use of originally budgeted contingencies, and $5 million use of reserves. In addition, several funds were collapsed into the city's General Fund due to the implementation of GASB 54, which added $3.8 million of reserves into the General Fund. Notably, due to positive variances, the city utilizes a lesser $2 million in reserves. The net impact resulted in the addition of $1.5 million in General Fund reserves to $43.5 million, or 21.1% of revenues.

Also in July 2011, the city council passed a resolution to immediately replenish reserves in fiscal 2012 by increasing the property tax levy by 5%. The fiscal 2012 budget includes the permanent reduction of $12 million in state aid, permanent elimination of positions previously held vacant, reduction of hours for non-essential services, and increased property tax revenues. Furthermore, the budget includes a $3 million addition to reserves per the resolution passed in July 2011. Officials expect to close the year with at least a $3 million increase in reserves. The city's preliminary fiscal 2013 budget is balanced, with a proposed levy increase of 1.9%. Minnesota cities are not subject to operating levy limits, adding another measure of financial flexibility.

The General Fund's cash declined to $19.7 million (9.5% of revenues) in fiscal 2011 from $36.6 million (19.1% of revenues) in the prior year due to a significant increase in receivables. At the close of fiscal 2011, the General Fund had a receivable of $28.6 million due from other funds, due to timing issues of revenues and advances to some underperforming enterprises. Officials report the city reimbursed itself approximately $10 million with bond proceeds and also received grant monies in the current year fiscal 2012. The city had approximately $15 million in General Fund receivables from various non-major special revenue and enterprise funds, which is consistent with previous years. Officials report that the city is working on a long-term plan for repayment. The city's strong financial management is reflected in the fiscal discipline it has demonstrated to maintain structural balance, increase reserves, and adhere to its fiscal policies in the midst of significant state aid cuts and continued state budgetary pressures. The city's ability to maintain structural balance and adequate reserve levels in the long-run will be important for the city's overall credit profile.

SOMEWHAT ELEVATED DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE

St. Paul's overall debt burden of 4.3% of full value and direct debt burden of 2.1% is slightly elevated but is still affordable. In addition, approximately 25% of the city's debt service is supported by special assessments, utility revenues, and tax increment revenues. Debt is amortized at an average rate with 70.8% of all debt retired in ten years. The city issues debt annually to fund various public improvements, and expects to issue approximately $30 million in general obligation bonds and $8 million in sewer revenue bonds in 2013. The city's capital program is supplemented by the city's one-half cent sales tax, with a portion used to support debt associated with the RiverCentre (40%), and other portions for cultural programs (10%) and the city's Neighborhood program (50%).

The city has one outstanding issue of variable rate debt, issued May 1, 2009 (S&P unenhanced rating AA-/stable) and supported by a direct pay letter of credit (LOC). In 2010, the city renegotiated the terms of the LOC with US Bank (bank deposit rating Aa2/rating under review - DOWN) to achieve better terms and it was extended to 2014. In 2009, the city issued $65.455 million in variable rate demand sales tax revenue bonds to refund its parity 1999 bonds. There is approximately $59 million in principal outstanding. Moody's does not have an underlying rating on the city's sales tax revenue debt.

The variable rate debt is hedged by two forward starting swap agreements with Piper Jaffray and Royal Bank of Canada (RBC) (long-term senior unsecured rating Aa3/stable). Each synthetic fixed rate swap hedges approximately $29.6 million. The city pays each counterparty a fixed payment based on a 5.23% interest rate and receives a variable payment based on one-month LIBOR. The Piper Jaffray swap has a counterparty enhancement from Morgan Stanley (long-term senior unsecured rating Baa1/negative). For the Piper Jaffray swap, there is a collateral posting threshold of $10 million. For the RBC swap, there is a collateral posting threshold of $100 million. Each swap has a final termination date of November 1, 2025. Management reports that the city has not been required to post any collateral.

The Piper Jaffray swap is subject to early termination by the counterparty if the rating on the city's sales tax bonds is downgraded below A3 by Moody's or A- by S&P. The RBC swap is subject to early termination by the counterparty if the rating on the city's sales tax bonds is downgraded to below A3 or the equivalent by any rating agency. Should early termination occur, we note some risk to the city's liquidity as the city would potentially be liable for $8 million upon termination for each swap. The notional amount of each swap is $29.6 million (total notional value $59 million), and the most recent market to market valuation on each swap was -$8.4 million (negative to St. Paul) as of October 18, 2012. For the RBC swap, an additional termination event would occur if RBC's long-term unsecured, unsubordinated debt rating is downgraded to below A3 or the equivalent by any rating agency. In event of an RBC additional termination event, the city would have the option to early terminate the swap.

For the counterparty enhancement, the Replacement Swap Agreement defines an additional termination event upon occurrence of a Morgan Stanley (MS) Credit Event. An MS credit event occurs if Morgan Stanley's long-term, unsecured, unenhanced rating ceases to be rated at least an A3 by Moody's or A- by S&P. On June 21, 2012, the rating on MS's long-term senior unsecured debt was downgraded to Baa1 from A2 and assigned a negative outlook. Upon the occurrence of an MS credit event, the counterparty Piper Jaffray is the sole affected party. Therefore, the June 2012 downgrade did not pose liquidity risk to the city. The city has the option to early terminate but has not yet exercised this option. Officials report the city is monitoring the situation and is considering various alternatives.

Outlook

The stable outlook reflects our expectation that the city will continue to benefit from its stable economic base as the state capital and part of the strong Twin Cities economy, despite the recent economic downturn. The city remains vulnerable to state budgetary pressures, given its dependence on state aid and large number of state employees within the city. Nevertheless, we expect that financial operations will remain stable given the city's demonstrated willingness to make budgetary adjustments to maintain a solid financial position.

What could change the rating - UP

- Growth in reserves to offset reliance on state aid and economically-sensitive revenue sources

- Improved trends in assessed valuations

What could change the rating - DOWN

- Inability to maintain structural balance and adequate reserves to offset future state aid revenue losses

- Persistent economic challenges that would lead to revenue pressures or increased expenditure demands.

KEY STATISTICS:

2010 Census population: 285,068 (0.7% decrease from 2000)

2011 Full valuation: $18 billion

Average annual full value decrease (5 years): -5.0%

American Community Survey 2006-2010 per capita income: 91.7% of nation

American Community Survey 2006-2010 Median family income: 89.9% of nation

Unemployment (September 2012): 6.1%

Direct debt burden: 2.1%

Overall debt burden: 4.3%

Fiscal 2011 General Fund balance: $43.5 million (21.1% of revenues)

Post-sale GO debt outstanding: $251.9 million

Moody's rated Lease Revenue debt outstanding: $15.1 million

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

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Summary:
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St. Paul Port Authority; General Obligation

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Table Of Contents

Summary:

St. Paul, Minnesota
St. Paul Port Authority; General Obligation

Credit Profile		
US$17.08 mil taxable GO bnds (St. Paul) ser 2013-1 due 02/01/2038		
Long Term Rating	AAA/Stable	New
US$8.0 mil GO cap nts ser 2012D due 04/01/2022		
Long Term Rating	AAA/Stable	New
St Paul GO		
Long Term Rating	AAA/Stable	Affirmed
St Paul Port Auth, Minnesota		
St. Paul, Minnesota		
St Paul Port Auth (St Paul) GO		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services' assigned its 'AAA' long-term rating to the City of St. Paul, Minn.'s series 2012D general obligation (GO) capital notes and the St. Paul Port Authority's series 2013-1 taxable GO bonds, issued on behalf of the city. We understand that the city's notes will be sold in December 2012 and that the port authority's bonds will be sold in January 2013. Standard & Poor's also affirmed its 'AAA' long-term and underlying rating (SPUR) on the city's existing GO bonds. The outlook on all ratings is stable.

The 'AAA' rating reflects our view of the city's:

- Deep and diverse local economy, which participates in the even broader Minneapolis-St. Paul (Twin Cities) metropolitan area economy;
- Very strong and stable financial status, which we believe will continue based on management's strong financial management policies and practices; and
- Moderate debt burden.

St. Paul's unlimited-tax GO pledge secures both the city's series 2012D notes and the port authority's series 2013-1 bonds. The city will use the series 2012D note proceeds for the purchase of capital equipment. The port authority will use the 2013-1 proceeds for redevelopment efforts.

St. Paul (population, 288,448) is benefiting from continued growth in the greater Twin Cities area, while the city's downtown continues to be the scene of redevelopment itself. The city is the seat of Ramsey County ('AAA' GO debt rating). The city's unemployment level averaged 7.0% in 2011, compared with 6.4% for the state and 9.0% for the nation. Through the first nine months of 2012, the city's unemployment rate has improved to 6.4%.

Although St. Paul has been successful in developing public and private partnerships throughout the city to encourage residential, commercial, and industrial redevelopment, the tax base has decreased in recent years due to overall softening in property values. From 2008 through 2011 (payable years), indicated market value contracted at a 5.5% average annual rate, which we understand is primarily a result of the recession. A 10.5% decrease in 2012 was largely due to a change in state law that lowered many residential valuations, which lowered the indicated market value to $18.0 billion. In our opinion, this figure equates to a strong $62,553 market value per capita. The city's net tax capacity totaled $229.7 million in 2012, and in our view the tax base is very diverse, with the 10 leading taxpayers accounting for 6.9% of the tax base. We consider the city's income levels adequate, as demonstrated by median household effective buying income at 82% of the state and 90% of the national levels.

We believe St. Paul's financial position remains strong, demonstrated by operating surpluses in four of the past five fiscal years. The fiscal 2012 general fund budget was structured to generate a $3 million surplus, and officials confirm operations are on target so far. This result would bring the unassigned general fund balance to approximately $44.3 million or roughly 20% of expenditures, which we consider very strong. The surplus was originally planned to replenish reserves following a planned draw in fiscal 2011, however, operations in 2011 out-performed the budget and ultimately resulted in a surplus. Management is currently finishing the budget process for 2013, and we understand that the mayor and City Council intend to pass a balanced budget without the use of reserves based on a minor levy increase. The city is committed to maintaining a reserve level above its stated policy minimum of 15% of the subsequent year's general fund and library budgeted expenditures in unassigned reserves.

Given the $15.6 million in state-aid cuts in 2011, city officials originally planned to draw down reserves. However, due to strict hiring and discretionary spending limits, and revenue coming in above budget (such as building permits), the city actually posted an operating surplus in 2011. The total general fund balance increased by $7.3 million in 2011 from 2010; $3.6 million of the increase was due to combining special revenue funds with the general fund to comply with GASB 54 and another $2.1 million is attributable to proceeds from a land sale. Even when netting out these one-time increases, operationally, revenues still exceeded expenditures for the year, out-performing the city's budget. In 2011, the largest general fund revenue sources included intergovernmental revenue (31.5%), property taxes (31.4%), and fees, and sales and services (15.3%). The city does not rely on federal funds for general fund operations and in our view is independent of the federal government.

Standard & Poor's has assigned St. Paul's management practices a financial management assessment (FMA) of "strong", indicating that management practices are strong, well embedded, and likely sustainable. The city council monitors budget-to-actual results on a monthly basis. Management updates a five-year financial model at least annually, and the council uses the model as a planning tool. A five-year capital improvement plan is also updated annually. In addition to the formal reserve policy, the city also has a derivatives policy.

We consider the city's overall net debt burden, which includes overlapping debt and debt paid from non-GO sources, moderate at $3,214 per capita and 5.2% of market value. In fiscal 2011, carrying charges were moderate at 14.7% of total governmental funds expenditures less capital outlay. The city's debt plans for the next year include: typical annual issuance of capital improvement GO bonds (approximately $19.4 million); GO bonds for a library improvement project ($7 million); GO bonds for a minor league baseball stadium project ($8.5 million); revenue bonds for the stadium project ($8.5 million); and sewer revenue bonds ($8 million). The city is also considering additional refunding bonds to achieve interest cost savings.

The defined-benefit plans administered by the Minnesota Public Employees' Retirement Association (PERA) cover all full-time and certain part-time city employees who are not participants in the Housing and Redevelopment Authority Pension Plan (a defined contribution plan). PERA administers the General Employees' Retirement Fund (GERF) and the Public Employees' Police & Fire Fund (PEPFF); these funds are cost-sharing, multiple-employer retirement plans. In fiscal 2011, city contributions to GERF and PEPFF were $6.8 million and $11.4 million, respectively, equal to the required contributions as set by state statutes; these payments combined comprised only 3.9% of total government fund expenditures.

The city contributes toward certain retirees' health care and life insurance premiums and allows others to remain on its plans. The city's other postemployment benefits (OPEB) unfunded liability as of the Sept. 30, 2010, actuarial valuation date was $188.7 million. The city finances these benefits on a pay-as-you-go basis and, as such, had a 0% funded ratio. The annual OPEB cost for fiscal 2011 was $15.8 million, of which the city contributed $9.3 million or 59%.

Outlook

The stable outlook reflects Standard & Poor's expectation that the city's economic stability will continue, as will progress in redeveloping the downtown St. Paul area. We do not expect that the rating will change within the two-year parameter of the stable outlook given our view of the city's historically strong finances, management's strong policies and practices, and the city's commitment to continue to meet its reserve policy in future years.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- State And Local Government Ratings Are Not Directly Constrained By That Of The U.S. Sovereign, Aug. 8, 2011

Ratings Detail (As Of November 29, 2012)		
St Paul Port Auth, Minnesota		
St. Paul, Minnesota		
St Paul GO		
Long Term Rating	AAA/Stable	Affirmed
St Paul Port Auth (St Paul) GO		
Long Term Rating	AAA/Stable	Affirmed
St. Paul Pub Lib Agy, Minnesota		
St. Paul, Minnesota		
St. Paul Pub Lib Agy (St. Paul) GO		
Long Term Rating	AAA/Stable	Affirmed

Many issues are enhanced by bond insurance.

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