CITY OF SAINT PAUL

Debt Limits

Presentation to the St. Paul City Council

July 9, 2025

Agenda

I. Bonding 101
II. Financial Overview
III. Legal Debt Limitations
IV. Credit Rating Considerations
V. Property Tax Debt Levy

Bonding 101

What is a bond?

- Municipal bonds are debt securities
- Issued by states, cities, counties and other governmental entities
- Finance capital projects
- The bond issuer agrees to repay the principal—the original amount borrowed—along with interest to the bondholders, who have loaned the issuer money to finance the project.

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

Common Finance Tools

The city uses a variety of tools to finance capital projects:

- General Obligation Bonds and Notes
  - Repaid by the property tax debt levy (CIB, Saint Paul Streets and M&O program)
  - May also pledge special assessments or certain other revenues such as TIF to certain bonds.
  - AAA S&P, AAA Fitch

- Revenue Bonds and Notes (Sales Tax, Parking, Sewer, Water, Recycling and Solid Waste Funds)
  - Utility fund revenues
  - Public Facilities Authority Notes - repaid by SPRWS system revenue
  - Water – AAA S&P
  - Sewer – AA+ S&P
  - Sales Tax – AA- S&P
  - Parking – A+ S&P

What's a good fit for bonding?

- Larger capital projects
- Public purpose and use
- Fixed-asset: land, building, capital equipment or other improvement to land
  - Preliminary design/design/engineering
  - Land
  - Equipment
  - Construction
- Major renovation that substantially improves or expands the project; not merely ordinary repairs or maintenance
- Long useful life (at least longer than the term of the bonds)
- Fixtures, furnishings and equipment, only if installed:
  - Upon initial construction, or
  - During major renovation to make the facility usable for the first time

Financial Overview

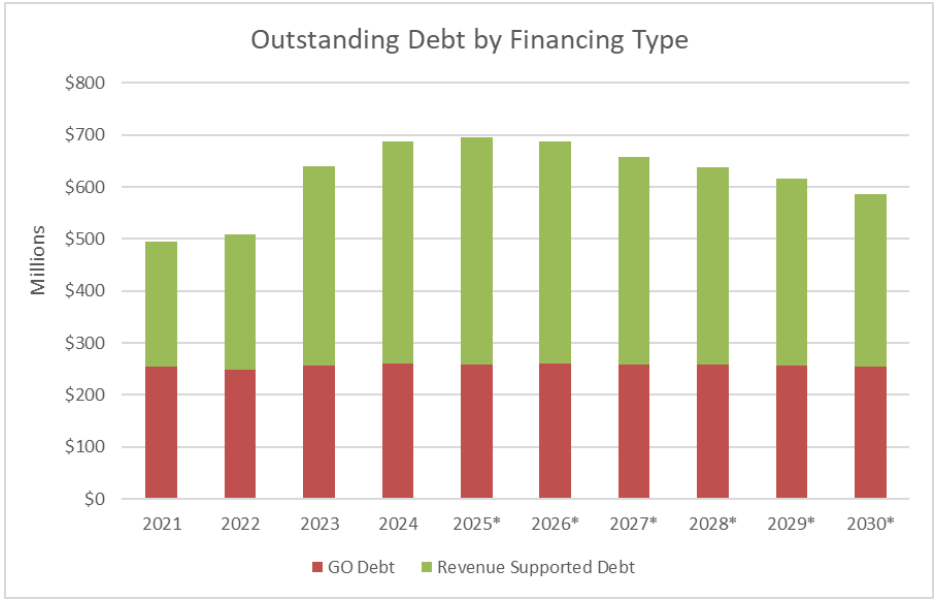
Outstanding Debt Portfolio
(as of June 26, 2025)

City Debt Summary Table

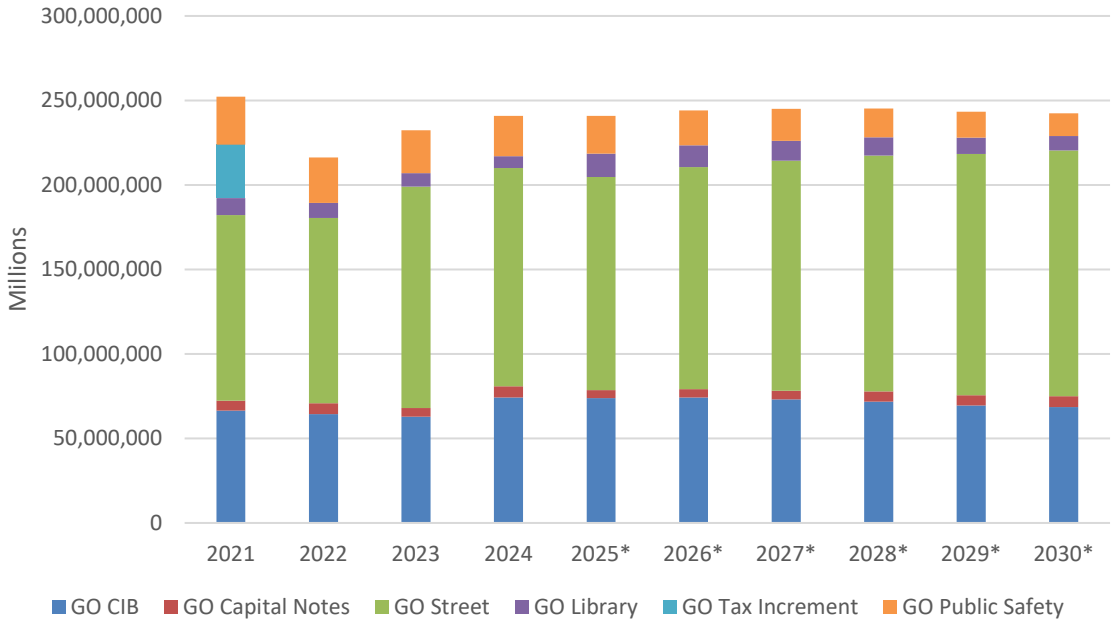
General Obligation Bonds	
General Obligation Tax Levy	$190,095,000
General Obligation Levy (Library)	6,730,000
General Obligation Special Assessment	49,890,000
General Obligation Tax Increment	2,295,000
Subtotal	$249,010,000
Revenue Bonds	
Lease Payments	$ 2,067,000
Recycling and Solid Waste Bonds	6,576,000
Special Assessment Revenue	6,172,000
Water Revenue	214,886,000
Sewer Revenue[(a)]	89,975,000
Sales Tax	92,045,000
Subtotal	$411,721,000
Total	$660,731,000

(a) Excludes Series 2025C Bonds (as defined herein).

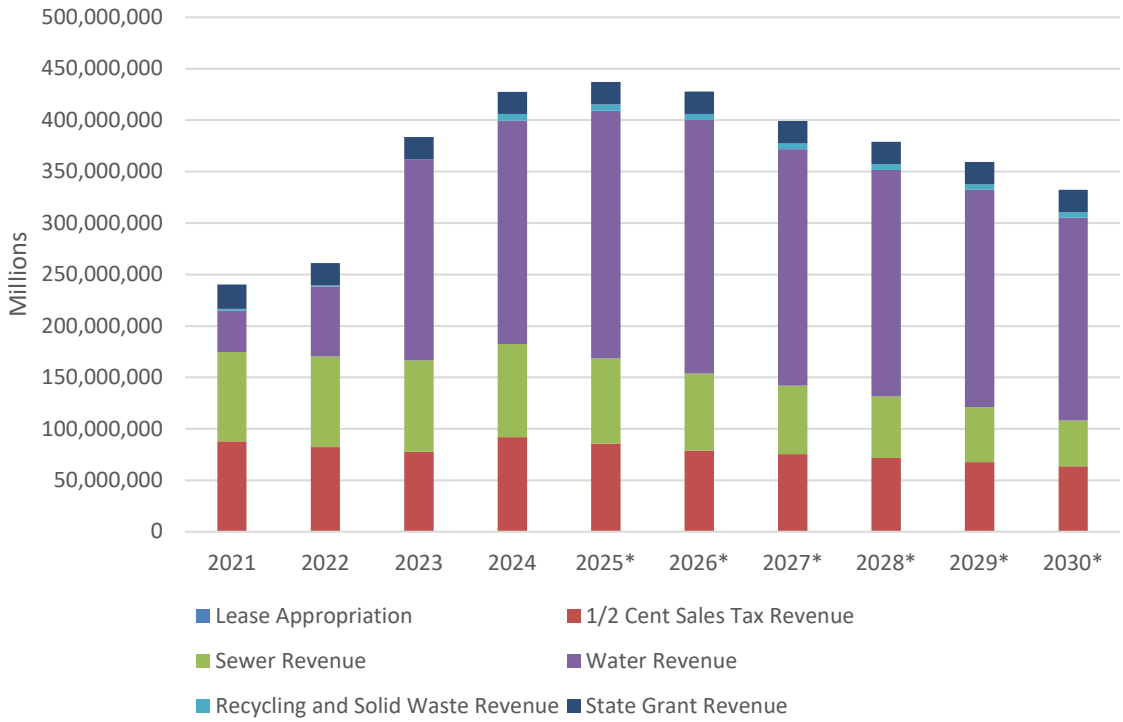
Debt Outstanding: G.O. vs Revenue Supported



G.O. Debt Outstanding by Program Type



Revenue Debt Outstanding by Type



2025 Debt Issuance

Issued

- $17,640,000 G.O Various Purpose Bonds
- $35,475,000 G.O. Street Reconstruction and Refunding Bonds
- $16,235,000 Parking Enterprise Revenue and Refunding Bonds

In Progress

- $28,000,000 PFA Note (McCarron's Water Treatment Plant) - Closing end of August
- $10,500,000 PFA Note (Lead Service Line Replacement Project) – Closing end of July
- $11,000,000 Sewer Revenue Bonds – Closing in August

*Preliminary, subject to change

2026 Proposed Debt Issuance

- $15,600,000* G.O. Capital Improvement Bonds (routine annual issuance and unissued)
- $2,000,000* G.O. Capital Notes (routine annual issuance)
- $15,500,000* G.O. Street Reconstruction Bonds (routine annual issuance and unissued, now includes $3,500,000 Mill and Overlay)
- $6,955,000* Sewer Revenue Bonds
- $6,500,000* PFA Note (McCarron's Water Treatment Plant)
- $7,500,000* PFA Note (Lead Service Line Replacement)

*Preliminary, subject to change

Debt Limit Factors

Factors Impacting Our Debt Limit

- Legal debt limitations
- Credit ratings
- Budget constraints
    - Property tax debt levy

Legal Debt Limitations

- Chapter 475, Minnesota Statutes – Legal Debt Margin
  - *Debt of the city may not exceed 3 1/3% of the market value of taxable property…*

	As of 6/26/2025
Assessor's 2024/2025 Estimated Market Value	$35,840,543,800
Multiply by 3.33333333%[a]	
Statutory Debt Limit	$ 1,194,684,792
Less: Long-Term Outstanding Debt Being Paid Solely from Property Taxes[b]	(190,095,000)
Unused Debt Limit	$1,004,589,792

(a) The City has special authority under the City Charter allowing the debt limit to be 3.33333333% of the estimated market value of the City.
(b) General Obligation debt payable from a combination of special assessments and taxes is not included.

Credit Ratings

Credit Rating Considerations

- Bonds may be rated by one or more of the four major credit rating agencies: Moody's, Standard & Poor's, Fitch, or Kroll

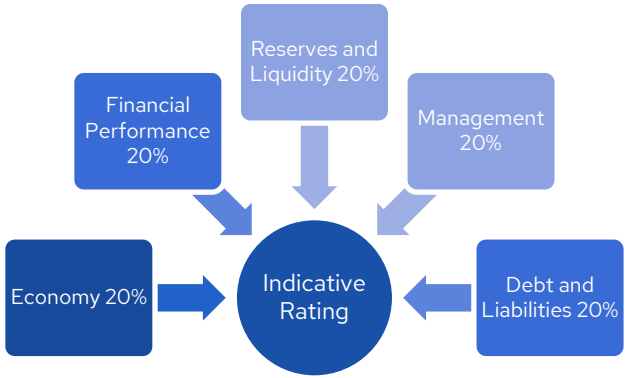
- Bond Ratings represent an independent evaluation of the city's overall financial and economic health encompassing other measures.
  - Indicator of risk: willingness and ability to pay debt service in full and on time

- 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

S&P Rating Methodology

- Scorecard published to create transparency of how ratings are assigned.
- Scorecards provide an estimated rating outcome, S&P can adjust outcome by one notch to reflect factors outside of the scorecard either positively or negatively.



Out of our control

- Pension/Other Post Employment Benefits
- Economy
  - Employment
  - Income levels
  - Total market value of all real and personal property
- Population trends

S&P Saint Paul Rating

- St. Paul's very diverse and growing economy, benefiting from the presence of several stabilizing institutions, paired with the city's robust and forward-looking management framework.

- Somewhat offsetting these strengths is the city's debt profile. While we believe the costs are manageable, they are weaker compared with the other credit qualities of the city.

- 1-6 scale (“1” is strong, “6” is weak)

Category	Saint Paul	Minnesota AAA Medians
Individual Credit Profile	1.85	1.62
Economy	1.5	1.5
Financial Performance	2	1.58
Reserves and Liquidity	2	1.08
Management	1	1.2
Debt and Liabilities	2.75	2.73

S&P Rating Feedback

S&P has highlighted negative rating pressure on the City given:

- Late and delayed ACFRs
- 2023 reduced General Fund balance
- Large interfund receivables reflecting negative fund balances in several funds

- *We will take negative rating action if available reserves decline for any reason. Downside pressure could also emerge if future debt issuances lead to weakening of our assessment of the city's debt and contingent liability profile. - May 2025*

- *If a sustained negative trend emerges in the city's financial or debt profiles, or if the interfund receivables pressure available general fund reserves to levels no longer comparable with those of peers at the current rating, we could lower the rating. - May 2024*

Fitch Rating Feedback

- Superior financial resilience assessed at 'aaa' given a high midrange level of budgetary flexibility.

- Strong demographic level metrics driven by high levels of educational attainment and a history of relatively low unemployment rates and a midrange long-term liability composite.

- Rating sensitivities:
  - Sustained declines in financial resilience leading to general fund reserves falling to below 10% of spending and transfers out.

  - Marked deterioration of demographic metrics

Debt Issuance Constraints

- Fitch: City could have about 60% increase in long-term liabilities – approximately $270 million.

- S&P: City could add approximately $26 million in debt service before score was affected.

Large projects in progress:

- Saint Paul Regional Water Services
  - Lake McCarrons - $236 million
  - Lead Service Line Replacement – upwards of $220 million (Grant Anticipation Note)

- Arena renovation project
  - Upwards of $200 million

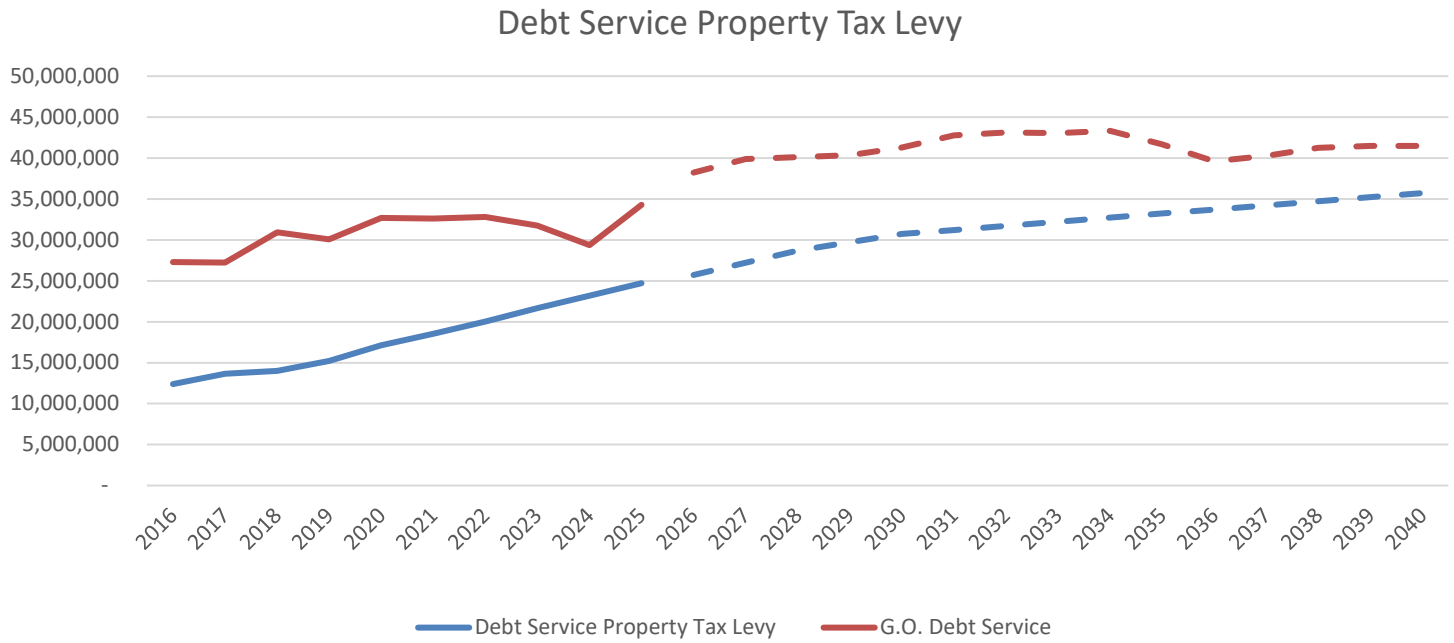
Budget Constraints

Property Tax Debt Levy

- Does not cover annual borrowing at current levels for our CIB and street reconstruction bond sale.
- $1.5 million increases at current $11 million bonding level.

2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,000,000	$500,000	$500,000	$500,000	$500,000	$500,000

Levy Projections



Soft Landing

- Other revenue sources
  - $3.5 million - ½ Cent Sales Tax
  - $2.479 million - special assessments
    - Saint Paul Streets
    - Mill and Overlay
  - $3 million - Sewer Fund transfer
  - $1.525 million - ½ Cent Sales Tax (public safety vehicles)
  - $1.1 million General Fund lease support

- $1.5 million annual property tax debt levy increase

Debt Model

Spending	2026	2027	2028	2029	2030
Fund 300 Total Existing Debt Service	**35,366,978**	**35,104,150**	**32,493,225**	**29,850,381**	**27,921,306**
Future Debt Service on Planned issuance	958,300	3,286,370	6,155,507	9,024,644	11,893,781
Authorized, Unissued Future Debt Service	1,699,246	1,699,246	1,699,246	1,699,246	1,699,246
Total Debt Service (Existing + Future)	38,024,523	40,089,765	40,347,978	40,574,270	41,514,333
Administration	952,506	969,319	986,552	1,004,215	1,022,321
Total Subsequent year Debt service	18,760,760	19,554,614	19,317,175	19,158,557	18,843,866
Total Expenditures	**57,771,835**	**60,648,595**	**60,687,473**	**60,773,706**	**61,418,100**
Financing					
Property Tax Budget	25,715,868	27,215,868	28,715,868	30,215,868	31,715,868
Other Revenue	13,308,279	11,545,010	9,686,437	8,679,910	8,534,506
Use of Fund Balance - subsequent year	18,760,760	19,554,614	19,317,175	19,158,557	18,843,866
Total Financing	**57,771,835**	**60,648,595**	**60,687,473**	**60,773,706**	**61,418,100**
Property Tax Budget	25,715,868	27,215,868	28,715,868	30,215,868	31,715,868
Property Tax Proposed Budget Increase	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000

Bonding Increases

G.O. CIB: 10-Year term

- $1 million one-time increase
  - $130,000 increase to the debt levy

- $1 million ongoing increase
  - $1.3 million increase to the debt levy (after fully phased in at year 10)

Street Reconstruction Bonds: 20-Year term

- $1 million one-time increase
  - $68,000 increase to the debt levy

- $1 million ongoing increase
  - $680,000 increase to the debt levy (after fully phased in at year 20)

Bond Funded Capital Programs

Program	Amount	Last Increase
Capital Improvement Budget	$11,000,000	2006
Saint Paul Streets		
Street Reconstruction	$12,500,000	2006
Mill & Overlay	$3,000,000	Added in 2023
Public Safety Vehicles	$2,760,000	Increased by $100K in 2025

Summary

- Legal debt limits
- Credit rating considerations
- Budget constraints
    - Property tax increase

Other Capital Funding Opportunities

- Federal
  - Infrastructure Investment and Jobs Act (IIJA)
  - Inflation Reduction Act (IRA)
  - Other earmarks
- State
  - Public Facilities Authority (PFA)
  - Minnesota Climate Innovation Finance Authority (MnCIFA)
  - Minnesota Pollution Control Agency (MPCA)
- Met Council
- Ramsey County
  - Transit Tax

Resources

- GFOA Best Practice
- Investor Relations
- 5-Year Bond Cancellation Policy
- Post-Issuance Compliance Procedure and Policy
- Debt Book

QUESTIONS