

August 18, 2021

Mr. John McCarthy, Director
Mr. Michael Solomon, Treasurer
Ms. Sarah Brown, Debt Manager
City of Saint Paul
Office of Financial Services
15 West Kellogg Boulevard, Room 700
Saint Paul, Minnesota 55102

Re: **Recommendations for Award of the City of Saint Paul's:**
\$14,665,000 Sewer Revenue and Refunding Bonds, Series 2021F (Green Bonds)
(the "Series 2021F Bonds")

Dear Mr. McCarthy, Mr. Solomon, and Ms. Brown:

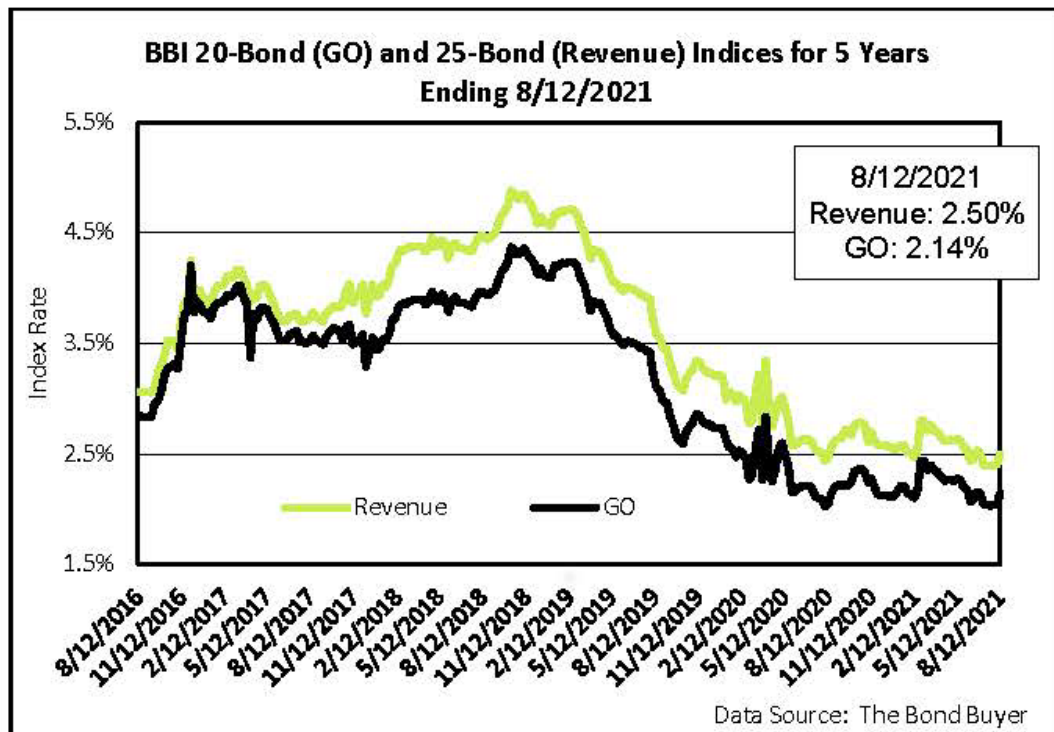
This letter summarizes the results of the competitive bid taken this morning for the Series 2021F Bonds.

Purpose and Repayment Sources of the Issue

The purpose of the Series 2021F Bonds is to (i) finance capital improvements to the City's sewer system and (ii) current refund two outstanding sewer revenue bonds, the Series 2011C and Series 2013D Bonds. The Series 2021F Bonds are special obligations of the City payable solely from and secured by a first and prior lien upon the revenues of the sewer system on a parity of lien with the City's eight outstanding parity issues to which revenues of the sewer system are pledged.

Tax-Exempt Market Rates

The chart below provides a snapshot of current market conditions in the tax-exempt market. While rates showed somewhat of an upward trend earlier in the year, ongoing economic concerns have pushed borrowing rates back down to near record lows over the past several months. The tax-exempt muni market's primary indicator is the weekly Bond Buyer's Index. The five-year historical BBI mapping below shows the extremely low current market for tax-exempt bonds.



Sale Results – Series 2021F Bonds

The City received seven (7) bids on the Series 2021F Bonds.

<u>Rank Bidder</u>	<u>TIC (%)</u>
Robert W. Baird & Co. Inc.....	1.3472%
KeyBanc Capital Markets.....	1.3565%
Piper Sandler & Co.....	1.3659%
BofA Securities.....	1.3807%
Morgan Stanley & Co., LLC	1.4098%
HilltopSecurities	1.4352%
Huntington Securities, Inc.	1.4411%

The lowest (or best) bid was received from Robert W. Baird & Co. at a true interest cost of 1.3472%. Our estimate of the interest rates based on market conditions in late July was 1.5507%.

This Issue was bid with more premium than was estimated. As a result, the principal amount of the Series 2021F Bonds decreased from \$16,180,000 (as printed on the POS) to \$14,665,000.

The sale results of the Series 2021F Bonds will allow the City to realize interest cost savings of \$2,788,153 on a present value basis. The net present value savings as a percentage of refunded debt service is 24.54%.

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 the City. We have enclosed bid tabulation forms for each Issue summarizing the bid specifics and composition of each underwriting syndicate.

Recommendations

We recommend award of sale of the Series 2021F Bonds to Robert W. Baird & Co.

Basis of Recommendations

Our recommendation is based on three primary factors. For each issue, the actual interest rates are below the estimated interest rate levels based on the recent market. The current market is at very favorable levels for bond issuers. From an overall context of the City's debt portfolio, these sale results are among the portfolio's lowest borrowing costs.

Credit Rating

The City's sewer revenue rating has been reaffirmed at AAA by S&P Global Ratings (S&P). S&P also retained their 'stable' outlook.

The AAA is the highest possible rating, and it is limited to a few jurisdictions nationally across all types of bonds. High credit ratings are essential to obtaining the lowest possible financing costs, which, for the City's borrowings, lead to lower property taxes and utility customer bills.

Baker Tilly congratulates the City of Saint Paul on the completion of this financing process with its highly successful results.

We welcome any discussion on the sale and its outcome. We are very appreciative of the opportunity to again be of service to the City of Saint Paul.

Respectfully,

A handwritten signature in black ink, appearing to read 'Anton Voinov', with a long horizontal flourish extending to the right.

Anton Voinov, Managing Director

BAKER TILLY MUNICIPAL ADVISORS, LLC

\$16,180,000*

City of Saint Paul, Minnesota

Sewer Revenue and Refunding Bonds, Series 2021F (Green Bonds)

S&P Rating: AAA

Sale Date: August 18, 2021

BBI: 2.14%

Average Maturity: 8.090 Years

Bidder	TIC
Robert W. Baird & Co., Incorporated	1.3472%
Keybank Capital Markets	1.3565%
Piper Sandler & Co.	1.3659%
BofA Securities	1.3807%
Morgan Stanley & Co. LLC	1.4098%
Hilltop Securities Inc.	1.4352%
Huntington Securities, Inc.	1.4411%

Winning Bidder Information	Maturity	Interest Rate	Reoffering Yield	Reoffering Price
ROBERT W. BAIRD & CO., INCORPORATED	12/01/2022	5.00%	0.11%	105.916%
	12/01/2023	5.00%	0.13%	110.748%
C.L. King & Associates	12/01/2024	5.00%	0.20%	115.355%
Edward Jones	12/01/2025	5.00%	0.32%	119.559%
Fidelity Capital Markets	12/01/2026	5.00%	0.45%	123.408%
Davenport & Co. LLC	12/01/2027	5.00%	0.59%	126.855%
Loop Capital Markets	12/01/2028	5.00%	0.70%	130.185%
Northland Securities, Inc.	12/01/2029	5.00%	0.80%	133.312%
Bernardi Securities, Inc.	12/01/2030	5.00%	0.90%	132.380%
Country Club Bank	12/01/2031	3.00%	1.10%	114.877%
Crews & Associates, Inc.	12/01/2032	3.00%	1.20%	114.034%
Sierra Pacific Securities	12/01/2033	2.00%	1.45%	104.242%
BNYMellon Capital Markets	12/01/2034	2.00%	1.55%	103.456%
Isaak Bond Investments, Inc.	12/01/2035	2.00%	1.70%	102.289%
Wintrust Investments, LLC	12/01/2036	2.00%	1.80%	101.519%
Sumridge Partners	12/01/2037	2.00%	1.85%	101.136%
Stifel, Nicolaus & Company, Inc.	12/01/2038	2.00%	1.90%	100.755%
Oppenheimer & Co.	12/01/2041	2.00%	2.00%	100.000%
Midland Securities				
FMS Bonds Inc.				
First Kentucky Securities Corp.				
Multi Bank Securities Inc.				
First Southern LLC				
Commerce Bank, N.A.				
InspereX				
Dinosaur Securities				
First Bankers' Banc Securities, Inc.				
Mountainside Securities LLC				
StoneX Financial Inc.				
Valdes and Moreno				

Purchase Price: \$18,637,932.39*
Net Interest Cost: \$1,910,255.39*
TIC: 1.3472%*

* Subsequent to bid opening, the par amount decreased to \$14,665,000; and the price, net interest cost, and true interest cost have changed to \$16,866,176.70, \$1,871,337.74, and 1.3856%, respectively.

City of Saint Paul, Minnesota
Sewer Revenue and Refunding Bonds, Series 2021F (Green Bonds) (continued)

Other Bidders and Syndicate Members

KEYBANC CAPITAL MARKETS (No Syndicate Members)

PIPER SANDLER & CO. (No Syndicate Members)

BOFA SECURITIES (No Syndicate Members)

MORGAN STANLEY & CO. LLC

Raymond James & Associates, Inc.

FHN Financial Capital Markets

Samuel A. Ramirez & Co., Inc.

Ziegler

Alamo Capital

Advisors Asset Management, Inc.

R. Seelaus & Co., Inc.

American Veterans Group, PBC

HILLTOP SECURITIES INC.

Benchmark Securities, LLC

HUNTINGTON SECURITIES, INC. (No Syndicate Members)

RES 21-1173

COMPLETIONS AND CONFORMING DETAILS
FOR
CITY OF SAINT PAUL, MINNESOTA
SEWER REVENUE AND REFUNDING BONDS
SERIES 2021F (GREEN BONDS)

There is before this Council a draft resolution for the sale of the above bonds that requires certain completions and details that conform to those. The Clerk or bond counsel for the Series 2021F Bonds 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.	<u>Winning Proposer.</u> Other materials before this Council indicate the winning proposer, whose name shall be inserted in paragraph 2.	¶ 2	Robert W. Baird & Co. Inc. (on behalf of itself and a syndicate)
2.	<u>Principal Amount.</u> Other materials before this Council indicate the principal amount of the Series 2021F Bonds; in paragraph 2 shall be revised to conform if necessary, and the issue amount stated in the form of bond shall be revised to conform if necessary. The principal amount of the Series 2021F Bonds shall be inserted in Exhibit A to the resolution.	¶ 2 and Exhibit A	Par amount decreased to \$14,665,000
3.	<u>Purchase Price.</u> Other materials before this Council indicate the proposed purchase price and, if applicable, the purchase price for a revised issue size. The blanks in paragraph 2 shall be completed with purchase price.	¶ 2	\$16,866,176.70 (the principal amount of the Series 2021F Bonds (\$14,665,000), plus original issue premium of \$2,281,826.50, less a Purchaser's discount of \$80,649.80)
4.	<u>Scheduled Mandatory Redemption Provisions – Series 2021F Bonds, if any.</u> Other materials before this Council indicate the mandatory sinking fund redemption provisions for the Series 2021F Bonds to be included in Exhibit B attached to the resolution. Paragraph 8(b) shall be conformed to the redemption provisions.	¶ 8(b) Exhibit A Exhibit B	Term Bonds as follows: 12/1/2039-12/1/2041 \$1,395,000 See attached schedule on page A-1 (Debt Service Schedule)

5.	<u>Principal Amounts, Interest Rates, Yields, Price & True Interest Cost.</u> Other materials before this Council indicate the principal amounts, interest rates, the yields and the price for the maturity dates of the Series 2021F Bonds and the true interest cost of the Series 2021F Bonds, to be added to the schedule in Exhibit B attached to the resolution.	Exhibit B	See columns 3, 4, 5, and 6 of the attached schedule A-2 (Pricing Summary) True Interest Cost is 1.3856046%.
6.	<u>Proposals for the Series 2021F Bonds.</u> The proposals for the Series 2021F Bonds shall be inserted in Exhibit C to the resolution.	Exhibit C	See attached bid tabulation on pages A-3 through A-4

\$14,665,000

City of Saint Paul, Minnesota
Sewer Revenue and Refunding Bonds, Series 2021F (Green Bonds)
Issue Summary

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
06/01/2022	-	-	420,764.44	420,764.44
12/01/2022	1,130,000.00	5.000%	295,850.00	1,425,850.00
06/01/2023	-	-	267,600.00	267,600.00
12/01/2023	1,315,000.00	5.000%	267,600.00	1,582,600.00
06/01/2024	-	-	234,725.00	234,725.00
12/01/2024	945,000.00	5.000%	234,725.00	1,179,725.00
06/01/2025	-	-	211,100.00	211,100.00
12/01/2025	990,000.00	5.000%	211,100.00	1,201,100.00
06/01/2026	-	-	186,350.00	186,350.00
12/01/2026	1,035,000.00	5.000%	186,350.00	1,221,350.00
06/01/2027	-	-	160,475.00	160,475.00
12/01/2027	1,090,000.00	5.000%	160,475.00	1,250,475.00
06/01/2028	-	-	133,225.00	133,225.00
12/01/2028	1,145,000.00	5.000%	133,225.00	1,278,225.00
06/01/2029	-	-	104,600.00	104,600.00
12/01/2029	1,195,000.00	5.000%	104,600.00	1,299,600.00
06/01/2030	-	-	74,725.00	74,725.00
12/01/2030	720,000.00	5.000%	74,725.00	794,725.00
06/01/2031	-	-	56,725.00	56,725.00
12/01/2031	750,000.00	3.000%	56,725.00	806,725.00
06/01/2032	-	-	45,475.00	45,475.00
12/01/2032	395,000.00	3.000%	45,475.00	440,475.00
06/01/2033	-	-	39,550.00	39,550.00
12/01/2033	405,000.00	2.000%	39,550.00	444,550.00
06/01/2034	-	-	35,500.00	35,500.00
12/01/2034	415,000.00	2.000%	35,500.00	450,500.00
06/01/2035	-	-	31,350.00	31,350.00
12/01/2035	420,000.00	2.000%	31,350.00	451,350.00
06/01/2036	-	-	27,150.00	27,150.00
12/01/2036	430,000.00	2.000%	27,150.00	457,150.00
06/01/2037	-	-	22,850.00	22,850.00
12/01/2037	440,000.00	2.000%	22,850.00	462,850.00
06/01/2038	-	-	18,450.00	18,450.00
12/01/2038	450,000.00	2.000%	18,450.00	468,450.00
06/01/2039	-	-	13,950.00	13,950.00
12/01/2039	455,000.00	2.000%	13,950.00	468,950.00
06/01/2040	-	-	9,400.00	9,400.00
12/01/2040	465,000.00	2.000%	9,400.00	474,400.00
06/01/2041	-	-	4,750.00	4,750.00
12/01/2041	475,000.00	2.000%	4,750.00	479,750.00
Total	\$14,665,000.00	-	\$4,072,514.44	\$18,737,514.44

SIGNIFICANT DATES

Dated Date.....	9/15/2021
Delivery Date.....	9/15/2021
First Coupon Date.....	6/01/2022

Yield Statistics

Bond Year Dollars.....	\$125,065.94
Average Life.....	8.528 Years
Average Coupon.....	3.2562937%
Net Interest Cost (NIC).....	1.4962808%
True Interest Cost (TIC).....	1.3856046%
Bond Yield for Arbitrage Purposes.....	1.2353376%
All Inclusive Cost (AIC).....	1.4698626%

IRS Form 8038

Net Interest Cost.....	1.2766430%
Weighted Average Maturity.....	8.277 Years

\$14,665,000

City of Saint Paul, Minnesota
Sewer Revenue and Refunding Bonds, Series 2021F (Green Bonds)
Issue Summary

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	YTM	Call Date	Call Price	Dollar Price
12/01/2022	Serial Coupon	5.000%	0.110%	1,130,000.00	105.916%	-	-	-	1,196,850.80
12/01/2023	Serial Coupon	5.000%	0.130%	1,315,000.00	110.748%	-	-	-	1,456,336.20
12/01/2024	Serial Coupon	5.000%	0.200%	945,000.00	115.355%	-	-	-	1,090,104.75
12/01/2025	Serial Coupon	5.000%	0.320%	990,000.00	119.559%	-	-	-	1,183,634.10
12/01/2026	Serial Coupon	5.000%	0.450%	1,035,000.00	123.408%	-	-	-	1,277,272.80
12/01/2027	Serial Coupon	5.000%	0.590%	1,090,000.00	126.855%	-	-	-	1,382,719.50
12/01/2028	Serial Coupon	5.000%	0.700%	1,145,000.00	130.185%	-	-	-	1,490,618.25
12/01/2029	Serial Coupon	5.000%	0.800%	1,195,000.00	133.312%	-	-	-	1,593,078.40
12/01/2030	Serial Coupon	5.000%	0.900%	720,000.00	132.380%	c 1.265%	12/01/2029	100.000%	953,136.00
12/01/2031	Serial Coupon	3.000%	1.100%	750,000.00	114.877%	c 1.429%	12/01/2029	100.000%	861,577.50
12/01/2032	Serial Coupon	3.000%	1.200%	395,000.00	114.034%	c 1.625%	12/01/2029	100.000%	450,434.30
12/01/2033	Serial Coupon	2.000%	1.450%	405,000.00	104.242%	c 1.616%	12/01/2029	100.000%	422,180.10
12/01/2034	Serial Coupon	2.000%	1.550%	415,000.00	103.456%	c 1.707%	12/01/2029	100.000%	429,342.40
12/01/2035	Serial Coupon	2.000%	1.700%	420,000.00	102.289%	c 1.816%	12/01/2029	100.000%	429,613.80
12/01/2036	Serial Coupon	2.000%	1.800%	430,000.00	101.519%	c 1.885%	12/01/2029	100.000%	436,531.70
12/01/2037	Serial Coupon	2.000%	1.850%	440,000.00	101.136%	c 1.918%	12/01/2029	100.000%	444,998.40
12/01/2038	Serial Coupon	2.000%	1.900%	450,000.00	100.755%	c 1.948%	12/01/2029	100.000%	453,397.50
12/01/2041	Term 1 Coupon	2.000%	2.000%	1,395,000.00	100.000%	-	-	-	1,395,000.00
Total	-	-	-	\$14,665,000.00	-	-	-	-	\$16,946,826.50

Bid Information

Par Amount of Bonds.....	\$14,665,000.00
Reoffering Premium or (Discount).....	2,281,826.50
Gross Production.....	\$16,946,826.50
Total Underwriter's Discount (0.550%).....	\$(80,649.80)
Bid (115.010%).....	16,866,176.70
Total Purchase Price.....	\$16,866,176.70
Bond Year Dollars.....	\$125,065.94
Average Life.....	8.528 Years
Average Coupon.....	3.2562937%
Net Interest Cost (NIC).....	1.4962808%
True Interest Cost (TIC).....	1.3856046%

\$16,180,000*

City of Saint Paul, Minnesota

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S&P Rating: AAA

Sale Date: August 18, 2021

BBI: 2.14%

Average Maturity: 8.090 Years

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Multi Bank Securities Inc.				
First Southern LLC				
Commerce Bank, N.A.				
InspereX				
Dinosaur Securities				
First Bankers' Banc Securities, Inc.				
Mountainside Securities LLC				
StoneX Financial Inc.				
Valdes and Moreno				

Purchase Price: \$18,637,932.39*
Net Interest Cost: \$1,910,255.39*
TIC: 1.3472%*

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City of Saint Paul, Minnesota
Sewer Revenue and Refunding Bonds, Series 2021F (Green Bonds) (continued)

Other Bidders and Syndicate Members

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PIPER SANDLER & CO. (No Syndicate Members)

BOFA SECURITIES (No Syndicate Members)

MORGAN STANLEY & CO. LLC

Raymond James & Associates, Inc.

FHN Financial Capital Markets

Samuel A. Ramirez & Co., Inc.

Ziegler

Alamo Capital

Advisors Asset Management, Inc.

R. Seelaus & Co., Inc.

American Veterans Group, PBC

HILLTOP SECURITIES INC.

Benchmark Securities, LLC

HUNTINGTON SECURITIES, INC. (No Syndicate Members)

RatingsDirect®

Summary:

St. Paul, Minnesota; Water/Sewer

Primary Credit Analyst:

Gregory Dziubinski, Chicago + 1 (312) 233 7085; gregory.dziubinski@spglobal.com

Secondary Contact:

Chloe S Weil, San Francisco + 1 (415) 371 5026; chloe.weil@spglobal.com

Table Of Contents

Rating Action

Stable Outlook

Enterprise Risk

Financial Risk

Related Research

Summary:

St. Paul, Minnesota; Water/Sewer

Credit Profile

US\$16.18 mil swr rev and rfdg bnds ser 2021F due 12/01/2041

Long Term Rating AAA/Stable New

St Paul swr

Long Term Rating AAA/Stable Affirmed

St. Paul WTRSWR

Long Term Rating AAA/Stable Affirmed

Rating Action

S&P Global Ratings assigned its 'AAA' rating and stable outlook to St. Paul, Minn.'s approximately \$16.18 million series 2021F sewer revenue and refunding bonds and affirmed its 'AAA' rating, with a stable outlook, on the city's existing sewer revenue debt.

The series 2021F bonds are a special obligation of the city, secured by a first charge and lien on sewer system revenue.

Officials intend to use series 2021F bond proceeds to finance sewer system improvements and current refund series 2011C and 2013D sewer revenue bonds. We understand the city will not fund a debt-service reserve for the series 2021F bonds. We do not consider this a material credit-quality weakness due to the system's extremely strong liquidity.

St. Paul's sewer system has a predominantly locally derived revenue base. Local service charges, derived through an autonomous rate-setting process, represent nearly all revenue; coupled with operating-expense flexibility, this limits exposure to federal revenue.

Credit overview

The rating reflects our opinion of management's capital planning, combined with a demonstrated willingness to adjust rates, which has resulted in the sewer system's ability to pass through wholesaler cost increases; fund capital expenditures; and maintain consistently strong financial metrics, including liquidity and all-in debt service coverage (DSC). St. Paul sewer also faces lower operational and capital risk resulting from the system being a collection-only system. A result of established management practices and willingness to raise rates is our expectation that financial metrics will likely remain consistent. Including 2021 capital expenditures, management expects to fund approximately \$72 million in capital projects through fiscal 2026. Management plans to fund 65% of expected capital projects with debt and the remainder with cash on a pay-as-you-go basis and additional debt issuance.

The enterprise-risk assessment reflects our opinion of the system's:

- Participation in the broad and diverse Minneapolis-St. Paul metropolitan statistical area (MSA), with stabilizing governmental and higher-education institutions supported by the city's status as the state capital--Median household

effective buying income at 91% of the national average and below-average unemployment characterize the economy;

- Affordable rates with sewer rates representing less than 1% of median household effective buying income; and
- Strong Operational Management Assessment (OMA), which, in our opinion, implies an overall alignment among operational characteristics, as well as its management strategies being well-embedded and comprehensive.

The financial-risk profile reflects our view of the system's:

- Net revenue providing very strong all-in DSC of 1.5x and 1.7x during the past three fiscal years, with our expectation management will likely maintain DSC at similar levels during the next few fiscal years;
- Extremely strong liquidity, with the combined system reporting \$57.6 million in unrestricted cash and cash equivalents at fiscal year-end 2020, providing about 472 days' cash on hand;
- Debt profile that is moderately leveraged with a 26.5% debt-to-capitalization ratio; and
- Good Financial Management Assessment (FMA), indicating that financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

The stable outlook reflects S&P Global Ratings' expectation management will likely preserve the system's financial profile because it funds a capital improvement plan based on conservative budgeting and a willingness to raise rates that remain competitive. The depth and diversity of the service area's economy and customer base provide additional rating stability, in our view. Based on these factors, we do not expect to change the rating within the two-year outlook.

Environmental, social, and governance (ESG) factors

Overall, we think management has mitigated most of the system's ESG-related risks by adopting, adhering to, and adjusting its operating and financial policies and procedures. The system is a collection-only system, and Metropolitan Council Environmental Services (MCES) treats wastewater. The system does not face regulatorily mandated capital projects. We note that should MCES face capital pressure either from expansion or regulations, these costs would pass to St. Paul through treatment charges.

St. Paul's sewer customers could face heightened social risk due to the need for both the city and MCES to continue to adjust rates to support capital spending and operations. Affordable rates provide flexibility to fund the capital plan from operating revenue while remaining affordable; however, over time, if the rate of adjustments were to outpace economic growth, primarily income, affordability could experience pressure. Established and comprehensive practices and policies and a demonstrated willingness to preapprove multiyear rate increases to support operating and financial performance somewhat mitigate governance risk.

Stable Outlook

Downside scenario

We could lower the rating if management's planned rate increases cannot maintain current DSC and liquidity and fund currently planned capital projects, particularly since treatment costs from MCES continue to increase.

Enterprise Risk

The system's service area is coterminous with St. Paul. The system serves about 70,000 customers. We recognize the city's participation in the broad and diverse Minneapolis-St. Paul-Bloomington MSA and the presence of several stabilizing institutions, anchored by state government, health care, and education sectors. There is no significant customer base concentration with the 10 leading customers accounting for 10% of total sanitary sewer consumption. The system includes sanitary and industrial-wastewater-and-stormwater conveyance facilities. MCES, a division of the Metropolitan Council, provides sewage treatment.

The city increased sanitary sewer rates by 3.5% annually from 2015-2020. In addition, it restructured sewer rates to include a \$1 base fee, established in 2016; the city increased this base fee to \$2 in 2017 and \$3 in 2018. The city plans to continue to adjust variable sanitary sewer rates by 3.5% annually to fund capital; debt; and increasing operational expenses, particularly sewer treatment charges from MCES. Current wastewater and stormwater rates are \$34.89 based on 500 cubic feet of consumption.

Financial Risk

The very strong financial-risk score benefits from the system's growing unrestricted cash and well-defined financial practices and procedures. Our calculation of all-in DSC treats transfers from the utility for cost sharing as recurring operating expenses and transfers into the city's debt-service fund as debt. We note transfers from the utility are subordinate to system revenue bond repayments; however, in our view, these transfers represent lost retained earnings management could, otherwise, reinvest in the system to support capital projects or enterprise operations. Our calculation of all-in DSC does not include an imputed fixed charge from MCES because the provider issues general-obligation-supported wastewater revenue bonds. While MCES supports debt with wastewater revenue, it has the ability and legal authorization to levy taxes to support wastewater debt. We note treatment service is the St. Paul wastewater utility's leading expense.

Including transfers out, all-in DSC was 1.5x at fiscal year-end Dec. 31, 2020, a decrease from 1.7x in fiscal 2019. Management's fiscal 2020 projections represent all-in DSC improving to more than 1.5x. All-in DSC is, in our opinion, a low outlier for the current rating. Rate-study projections show the maintenance of all-in DSC of, at least, 1.5x, which, in our view, is necessary to maintain the rating.

The city restructured its repayment for water-pollution-abatement bonds issued between 1971 and 1987, paid for with a tax levy; the amortization restructuring lowered the annual required transfer into the city's general debt-service fund from the sewer fund. The sewer fund will continue to make transfers of \$3 million annually through fiscal 2026, and repayment will be complete by fiscal 2028.

System liquidity has continued to increase. Unrestricted cash increased to \$57.6 million, or about 472 days' cash on hand, including rate-stabilization and operations-and-maintenance reserves, at fiscal year-end 2020. The city's policy calls for maintaining, at least, 90 days' cash on hand; it, however, informally targets no less than 300 days'.

From fiscal years 2021-2026, management proposes spending about \$71.9 million for sewer-related capital projects, which it would support with about \$8 million of debt annually; it would fund the remainder from surplus net revenue and cash. St. Paul has not engaged in any direct-purchase debt or bank loans for the system.

Related Research

Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

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