

Debt Service

General Obligation Debt Service Funds Budget

Debt Service Spending (By Major Object)			
Object	2007 Actual	2008 Adopted Budget	2009 Adopted Budget
Salaries	146,445	146,581	225,187
Services	70,448	77,494	88,418
Fringe Benefits	46,796	46,690	71,076
Other	1,206,456	297,360	297,641
Debt Service	35,577,892	55,977,991	58,594,825
Equipment, Land, and Buildings	0	0	0
Total	37,048,037	56,546,116	59,277,147

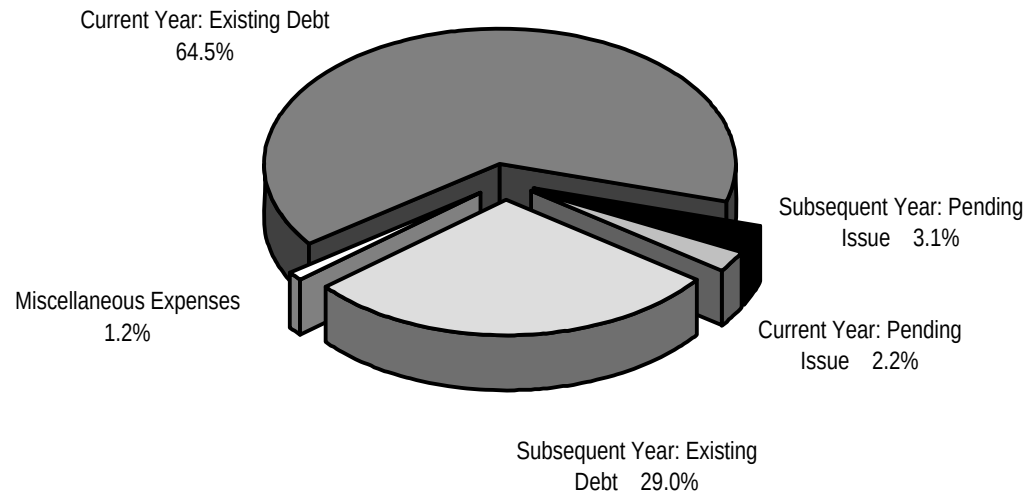
Debt Service Financing (Revenue By Source)			
Source	2007 Actual	2008 Adopted Budget	2009 Adopted Budget
Use of (Contribution to) Fund Balance	(810,557)	22,364,823	21,566,241
Transfers	16,312,772	14,482,304	13,833,000
Taxes	8,699,304	7,808,699	10,378,222
Licenses and Permits	0	0	0
Intergovernmental Revenue	385,983	304,484	374,054
Fees, Sales and Services	0	0	80,000
Enterprise and Utility Revenue	100,000	0	0
Other Revenue Sources	12,360,535	11,585,806	13,045,630
Total	37,048,037	56,546,116	59,277,147

The city's general debt service budget provides for the principal and interest payments on its general obligation bond issues. The budget consists of two sets of appropriations: 1) an amount needed to meet the budget year debt service obligations, and 2) an amount needed to meet the obligations of the first half of the following year. Therefore, the amount appropriated for general debt service exceeds the amount actually spent in the budget year. This additional amount remains in fund balance to use as a financing source for the subsequent year's debt service payments. While complicated, this budget structure solves a cash flow problem for the city. The city receives state aids and property taxes mid-year and at the end of the year. If the city did not budget for subsequent year debt service payments, it would lack the cash to make the debt service payments due before the city receives its major cash infusions each year.

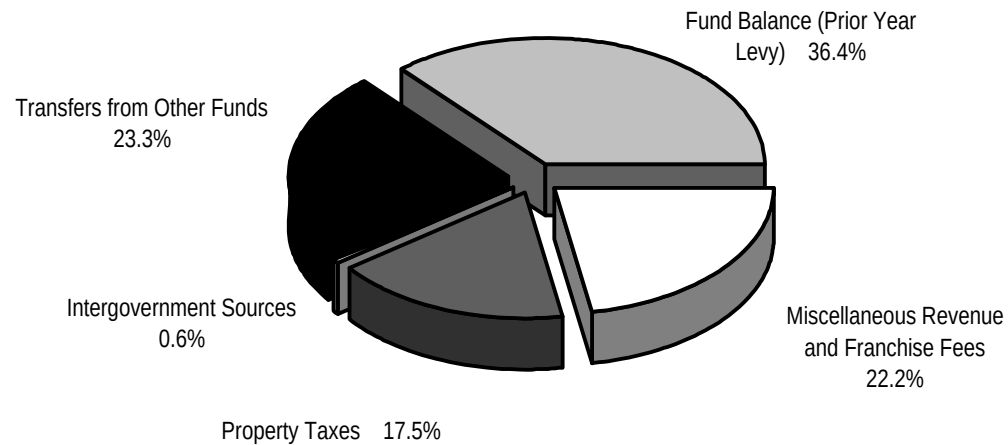
The total 2009 debt service budget is \$59,277,147. \$40,252,493 is for debt service obligations in 2009 (the budget year), and \$19,024,654 is debt service obligations in the first half of 2009 (the subsequent year).

General Obligation Debt Service Funds Budget

2009 Spending by Major Category



2009 Financing by Major Source



General Obligation Debt

Allocation of Revenue to Type of Debt as of December 31, 2007							
	Property Tax Levy	Water and Sewer Charges	Assessments	Tax Increments	Parking Revenue	Self Supporting Total	Total
Capital Improvements	94,035,000					-	94,035,000
Library Bonds	12,080,000					-	12,080,000
Street Improvements	28,367,500		26,552,500			26,552,500	54,920,000
Public Safety Bonds	10,510,000						10,510,000
Tax Increment:							
Riverfront Development				5,790,000		5,790,000	5,790,000
Midway Marketplace				4,425,000		4,425,000	4,425,000
Block 39 Project				12,005,000	21,255,000	33,260,000	33,260,000
Koch Mobil				3,895,000		3,895,000	3,895,000
Water Pollution Abatement						-	-
Sewer Bonds		3,275,000				3,275,000	3,275,000
Sewer Loan (PFA *)		13,967,430				13,967,430	13,967,430
Water Loan (PFA*)		2,332,034				2,332,034	2,332,034
TOTAL	144,992,500	19,574,464	26,552,500	26,115,000	21,255,000	93,496,964	238,489,464
Percent of Total	60.8%	8.2%	11.1%	11.0%	8.9%	39.2%	100.0%

* PFA is the Public Facilities Authority.

General Obligation Debt Service

To prepare financing plans and pay the annual principal and interest on the City's general obligation debt.

About the Debt Service Fund

What We Do (Description of Services)

- Sell City debt instruments at the lowest borrowing cost.
- Ensure that principal and interest on City's debt is paid accurately and on time.
- Identify and implement various debt financing alternatives for the City of Saint Paul.
- Ensure arbitrage compliance for City and HRA tax-exempt debt with the IRS.
- Complete City and HRA annual disclosure for the national depositories.
- Work with Ramsey County and Saint Paul Public Schools to manage the overall debt on the City of Saint Paul, Ramsey County and Saint Paul Public Schools' tax base.

Statistical Profile

- City Bond Ratings: AAA (Standard & Poor's)
Aa2, (Moody's).
- Debt Burden: 2.0% of market value.
- Payout of Principal: 10 Years: 82%; 20 Years: 100%

2007-2008 Accomplishments

- Developed balanced operating, capital and debt budgets for 2007 and 2008
- Maintained the City's AAA (Standard & Poor's) and Aa2 (Moody's) bond ratings.
- Successfully sold 2007 and 2008 General Obligation Capital Improvement and Street Improvement Special Assessment Bonds. 2007 bonds were sold at the historically low rates of 3.78% (CIB) and 4.21% (Street Improvement). 2008 bonds were sold at 3.08% (CIB), 4.00% (Street Improvement), 4.23% (Public Safety bonds -Western Police Station Project), 3.96% (Sewer Revenue Bonds).
- Terminated the City's first ever variable-to-fixed interest rate swap to realize positive proceeds of \$3,804,000 (net \$3,750,000) and entered into a second Arena swap to provide annual debt savings of approximately \$400,000 beginning in 2010.
- Two 2008 three year capital leases for 96 police cars at (2.65% and 2.99%).
- Assisted in HRA in the Jimmy Lee annual appropriation lease financing and the closeout of former Downtown TIF District.
- Summer 2008, staffed implementation of new 2008 Special Law for Saint Paul to create a downtown TIF District (2009-2003) to annually provide an estimated \$4,000,000 to the River Centre complex.
- Fall of 2008, plan to sell debt for CHA Lease Floors (3-5), DSI improvements, and refund 1998 TIGO Block 39/Lawson bonds.

Debt Service

Department/Office Director: **TODD P HURLEY**

	2006 2nd Prior Exp. & Enc.	2007 Last Year Exp. & Enc.	2008 Adopted	2009 Mayor's Proposed	2009 Council Adopted	Change from Mayor's Proposed	2008 Adopted
<u>Spending By Unit</u>							
960 GENERAL DEBT SERVICE FUND	23,532,369	21,966,950	35,897,071	37,291,304	37,291,304		1,394,233
961 CITY REV BONDS, LONG TERM DEBT	11,745,604	10,398,694	9,366,304	9,366,237	9,366,237		-67
963 G.O. SPEC ASSM DEBT SERV FUND	3,514,041	5,219,640	10,315,203	11,085,308	11,028,908	-56,400	713,705
967 CITY REVENUE NOTES DEBT SERVICE	1,411,131	1,016,339	967,538	1,590,698	1,590,698		623,160
Total Spending by Unit	40,203,144	38,601,622	56,546,116	59,333,547	59,277,147	-56,400	2,731,031
<u>Spending By Major Object</u>							
SALARIES	92,398	146,445	146,581	225,187	225,187		78,606
SERVICES	33,150	58,978	77,494	88,418	88,418		10,924
MATERIALS AND SUPPLIES	3,514	11,470	17,360	17,641	17,641		281
EMPLOYER FRINGE BENEFITS	29,087	46,796	46,690	71,076	71,076		24,386
MISC TRANSFER CONTINGENCY ETC	2,680,766	1,192,795	280,000	280,000	280,000		
DEBT	35,144,311	35,608,478	55,977,991	58,651,225	58,594,825	-56,400	2,616,834
STREET SEWER BRIDGE ETC IMPROVEMENT	2,219,919	1,536,661					
EQUIPMENT LAND AND BUILDINGS							
Total Spending by Object	40,203,144	38,601,622	56,546,116	59,333,547	59,277,147	-56,400	2,731,031
Percent Change from Previous Year		-4.0%	46.5%	4.9%	-0.1%	-0.1%	4.8%
<u>Financing By Major Object</u>							
GENERAL FUND							
SPECIAL FUND							
TAXES	7,501,845	8,795,131	7,808,699	10,378,222	10,378,222		2,569,523
LICENSES AND PERMITS							
INTERGOVERNMENTAL REVENUE	331,181	385,983	304,484	374,054	374,054		69,570
FEES, SALES AND SERVICES	7,500	15,371		80,000	80,000		80,000
ENTERPRISE AND UTILITY REVENUES							
MISCELLANEOUS REVENUE	11,968,469	12,189,584	11,585,806	13,045,630	13,045,630		1,459,824
TRANSFERS	16,215,585	15,649,433	14,482,304	13,833,000	13,833,000		-649,304
FUND BALANCES			22,364,823	21,622,641	21,566,241		-798,582
Total Financing by Object	36,024,580	37,035,502	56,546,116	59,333,547	59,277,147	-56,400	2,731,031
Percent Change from Previous Year		2.8%	52.7%	4.9%	-0.1%	-0.1%	4.8%

2009 Budget Plan

2009 Goals

- Maintain or improve the City's Aa2 (Moody's) and AAA (Standard & Poor's) ratings assigned to the City's general obligation debt.
- Strengthen the organizational understanding of the best uses of the general obligation bonding authority.
- Provide alternate debt financing plans through recommendations for both current and future bond issues. Alternatives to the use of tax levy as financing for general obligation debt of the City will continue to be explored and recommended where prudent.
- Continue to explore capital and operating leases where appropriate.
- Review proposals in search of the solutions that serve the City in the long term, ever mindful of the short-term needs.
- Review five debt funds (F960, F961, F966, and F967) to satisfy multiple objectives of efficient debt management (reducing transfers between funds to pay debt) and GASB accounting requirements.
- Develop a program to internally fund City projects through the purchase of acceptable investment notes issued by related City entities (City, HRA, and Port).
- Maintain a multi-year debt model to provide analysis of future bond issues, capital projects and financing alternatives.

2009 Budget Explanation

Base Adjustments

The 2008 adopted budget was adjusted to set the budget base for 2009. The base includes the anticipated growth in salaries and fringes for 2009 for employees related to the bargaining process. It also includes inflation on services and materials.

Mayor's Recommendation

- The 2009 proposed budget in the General Debt Service fund

(Fund 960) is \$37,291,304, which is \$1,394,233, or 3.9% greater than 2008. The 2009 budget proposes issuing \$9.6 million of Capital Improvement Bonds (CIB) in 2009 and assumes an interest cost of 5.5%. A \$15.5 million sale of 25 year Public Safety Bonds at a budgeted interest rate of 6% is also proposed to build a new facility that will house fire administration, and fire stations 1 & 10.

- The budget for City Revenue Bonds Long-term Debt fund (Fund 961) is \$9,366,237, which reflects a minor change from 2008. This fund pays sales tax debt of the 1999 Arena Project, State loan, and 2007 Subordinate Sales Tax bonds. and is financed with facility lease payments, Minnesota Wild hockey revenues (payments in lieu of taxes) and sales tax. The three debts are secured by sales tax and team revenues.
- The budget for the General Obligation Special Assessment Debt Service fund (Fund 963) is \$11,085,308 or a \$770,105 increase compared to 2008. The increase reflects the outstanding principal of bonds.
- The budget for the City Revenue Note Debt (Fund 967) is \$1,590,698 and provides funds for the People Connection, which is funded by contributions from the RiverCentre Convention & Visitors Authority and hotel tax receipts and a transfer from the general fund for police vehicle leases.

For General Debt Service and GO Special Assessment Debt, the budget includes appropriations for both the amount needed to meet the debt service obligations in the budget year (2009) and an amount needed to meet the obligations of the first half of the following year (the subsequent year 2010). The budgeted amount for the subsequent year is not spent in the budget year and remains in fund balance at year-end to use as a financing source for the subsequent year's debt service payments. While complicated, this budget structure solves a cash flow problem for the city. If this practice was not employed, the City would lack the cash to make the debt service payments due before receiving its major cash infusions each year.

2009 Budget Plan (continued)

2009 Budget Explanation

Council Actions

The City Council adopted the Debt Service budget and recommendations as proposed by the Mayor and approved the following changes:

- Reduced debt service interest spending in Fund 963 by \$56,400 to reflect reduced sizing of the 2009 bond sale.

