

Debt Service

General Obligation Debt Service Funds Budget

Debt Service Spending (By Major Object)			
	2005	2006	2007
Object	Actual	Adopted Budget	Adopted Budget
Salaries	143,536	137,302	143,536
Services	82,618	81,982	82,618
Fringe Benefits	44,811	42,089	44,811
Other	1,347,752	786,793	286,793
Debt Service	34,008,177	56,294,769	55,324,771
Equipment, Land, and Buildings	<u>0</u>	<u>0</u>	<u>0</u>
Total	35,626,894	57,342,935	55,882,529

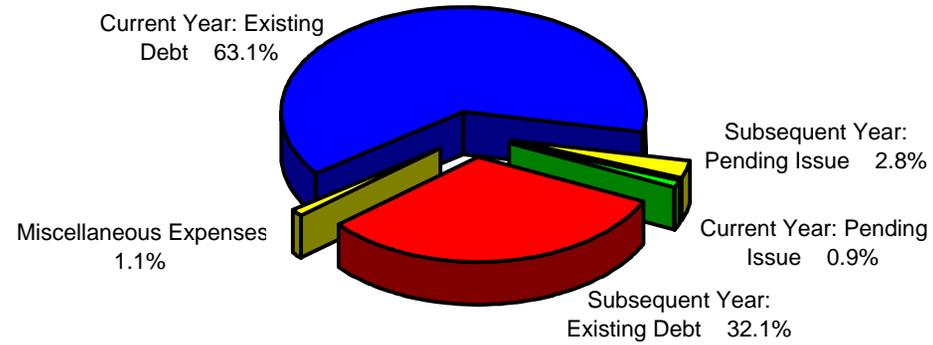
Debt Service Financing (Revenue By Source)			
	2005	2006	2007
Source	Actual	Adopted Budget	Adopted Budget
Use of (Contribution to) Fund Balance	365,186	27,343,326	23,270,758
Transfers	16,738,876	11,233,636	12,458,526
Taxes	6,142,398	6,246,510	8,739,582
Licenses and Permits	0	0	0
Intergovernmental Revenue	396,752	376,311	479,244
Fees, Sales and Services	0	0	0
Enterprise and Utility Revenue	1,095,058	880,000	0
Other Revenue Sources	<u>10,888,524</u>	<u>11,263,152</u>	<u>10,934,419</u>
Total	35,626,794	57,342,935	55,882,529

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.

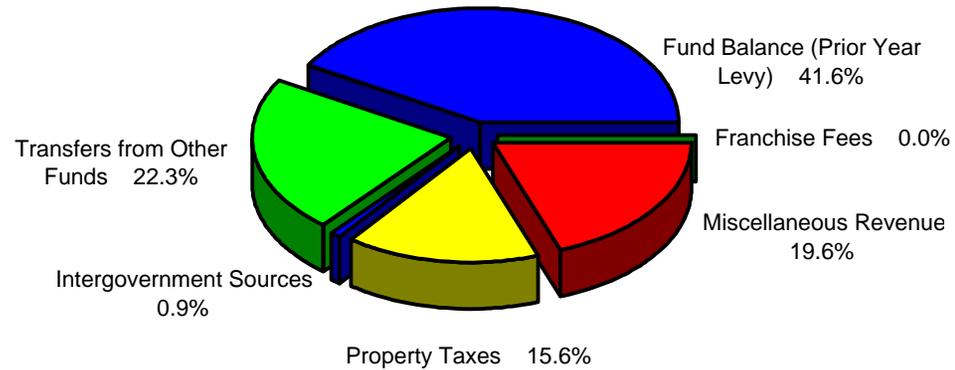
The total 2007 debt service budget is \$55,882,529. \$36,372,383 is for debt service obligations in 2007 (the budget year), and \$19,510,146 is debt service obligations in the first half of 2008 (the subsequent year).

General Obligation Debt Service Funds Budget

2007 Spending by Major Category



2007 Financing by Major Source



General Obligation Debt

Allocation of Revenue to Type of Debt								
as of December 31, 2005								
	Property Tax Levy	Water and Sewer Charges	Assessments	Tax Increments	Parking Revenue	Other Sources	Self Supporting Total	Total
Capital Improvements	103,455,000					3,465,000 **	3,465,000	106,920,000
Library Bonds	12,280,000						-	12,280,000
Street Improvements			23,320,000				23,320,000	23,320,000
Tax Increment:								
Riverfront Development				7,685,000			7,685,000	7,685,000
Midway Marketplace				5,130,000			5,130,000	5,130,000
Block 39 Project				14,750,000	21,255,000		36,005,000	36,005,000
Koch Mobil				3,950,000			3,950,000	3,950,000
Water Pollution Abatement							-	-
Sewer Bonds		3,480,000					3,480,000	3,480,000
Sewer Loan (PFA *)		15,824,589					15,824,589	15,824,589
Water Loan (PFA*)		2,747,332					2,747,332	2,747,332
TOTAL	<u>115,735,000</u>	<u>22,051,921</u>	<u>23,320,000</u>	<u>31,515,000</u>	<u>21,255,000</u>	<u>3,465,000</u>	<u>101,606,921</u>	<u>217,341,921</u>
Percent of Total	53.3%	10.1%	10.7%	14.5%	9.8%	1.6%	46.7%	100.0%

* PFA is the Public Facilities Authority.

** Other Sources are Gross Earnings Franchise Fees.

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 is paid accurately and on time.
- Identify and implement various debt financing alternatives for the City of Saint Paul.
- Invest City funds and manage the City's portfolio to insure safety, while maintaining a competitive yield and liquidity.
- 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) and Aa2, (Moody's).
- Debt Burden: 3.7%; Direct Debt Burden: 2.1%
- Payout of Principal: 10 Years: 84.4%; 20 Years: 100%
- City's G.O. Debt Supported by:
 - Tax Levy: 53%
 - Tax Increments: 15%
 - Special Assessments: 10%
 - Water and Sewer Revenues: 10%
 - Other Sources: 12%

2005-2006 Accomplishments

- Developed balanced operating, capital and debt budgets for 2005 and 2006.
- Maintained the City's AAA (Standard & Poor's) and Aa2 (Moody's) bond ratings.
- Developed a capital lease financing program for ongoing replacement of parks and public safety equipment.
- Adjusted the structure of the 2005 and 2006 Capital Improvement bonds to pay principal semi-annually to better match property tax cash flows.
- Moved RSVP to the Special Assessment Street Bonds.
- Executed the City's first ever variable-to-fixed interest rate swap to provide interest saving for the City's 1999 Sales Tax Revenue Bonds.
- Refunded the 1996 Recreational Facilities Gross Revenue Bonds (savings are \$246,971 over the life of the bonds) and 1995 General Obligation Taxable Tax Increment Bonds (savings are \$977,430 over the life of the bonds).
- Adopted a fund balance policy for the General Debt Service Fund.

Key Performance Measures

Performance Objective: Preserve the City's AAA and Aa2 bond ratings by promoting prudent financial, spending and reserve policies

Performance Indicator: Bond rating outcomes

MEASURES:	2004 Actual	2005 Actual	2006 Estimated	2007 Projected
Moody's	Aa2	Aa2	Aa2	Aa2
Standard and Poor's	AAA	AAA	AAA	AAA

Performance Objective: Observe prudent budget and financial management policies to maintain fund balance within an acceptable range

Performance Indicator: Fund balance as a percent of the next year's General Fund expenditures -- planned in the adopted budget and actual at year-end

MEASURES:	2004 Actual	2005 Actual	2006 Estimated	2007 Projected
Budget	23.1%	20.2%	16.34%	16.2%
Actual	24.50%	21.37%	--	

Performance Objective: Ensure the integrity of citywide financial practices

Performance Indicator: Receive an unqualified opinion from the State Auditor, which means that there are no significant audit findings

MEASURES:	2004 Actual	2005 Actual	2006 Estimated	2007 Projected
Unqualified state auditor opinion	Yes	Yes	Yes	Yes

Performance Objective: Maximize returns on the city's portfolio, subject to the city's investment policy

Performance Indicator: Average yield on city cash portfolio

MEASURES:	2004 Actual	2005 Actual	2006 Estimated	2007 Projected
Benchmark	3.25	4.00	4.50	5.25
Actual	4.04	4.61	--	--

Debt Service

Department/Office Director: **MATTHEW G SMITH**

	2004 2nd Prior Exp. & Enc.	2005 Last Year Exp. & Enc.	2006 Adopted	2007 Mayor's Proposed	2007 Council Adopted	Change from Mayor's Proposed	2006 Adopted
<u>Spending By Unit</u>							
960 GENERAL DEBT SERVICE FUND	26,166,835	22,775,932	39,685,792	37,765,134	37,656,384	-108,750	-2,029,408
961 CITY REV BONDS, LONG TERM DEBT	9,795,359	10,108,220	8,171,813	7,669,791	7,669,791		-502,022
963 G.O. SPEC ASSM DEBT SERV FUND	3,258,970	3,274,177	8,074,195	9,540,014	9,540,014		1,465,819
967 CITY REVENUE NOTES DEBT SERVICE	888,200	1,351,982	1,411,135	1,016,340	1,016,340		-394,795
Total Spending by Unit	40,109,364	37,510,311	57,342,935	55,991,279	55,882,529	-108,750	-1,460,406
<u>Spending By Major Object</u>							
SALARIES	150,896	73,575	137,302	143,536	143,536		6,234
SERVICES	34,213	22,614	81,982	82,618	82,618		636
MATERIALS AND SUPPLIES	6,270	7,034	6,793	6,793	6,793		
EMPLOYER FRINGE BENEFITS	49,897	21,382	42,089	44,811	44,811		2,722
MISC TRANSFER CONTINGENCY ETC	1,799,713	1,595,797	780,000	280,000	280,000		-500,000
DEBT	33,513,029	34,023,267	56,294,769	55,433,521	55,324,771	-108,750	-969,998
STREET SEWER BRIDGE ETC IMPROVEMENT	1,257,533	1,766,642					
EQUIPMENT LAND AND BUILDINGS							
Total Spending by Object	36,811,552	37,510,311	57,342,935	55,991,279	55,882,529	-108,750	-1,460,406
Percent Change from Previous Year		1.9%	52.9%	-2.4%	-0.2%	-0.2%	-2.5%
<u>Financing By Major Object</u>							
GENERAL FUND							
SPECIAL FUND							
TAXES	10,622,561	7,237,457	7,126,510	10,391,276	8,739,582		1,613,072
LICENSES AND PERMITS							
INTERGOVERNMENTAL REVENUE	675,358	396,753	376,311	577,550	479,244		102,933
FEES, SALES AND SERVICES		5,000					
ENTERPRISE AND UTILITY REVENUES	114,660						
MISCELLANEOUS REVENUE	14,096,191	10,455,713	11,263,152	10,934,419	10,934,419		-328,733
TRANSFERS	12,814,651	18,761,444	11,233,636	10,789,602	12,458,526		1,224,890
FUND BALANCES			27,343,326	23,298,432	23,270,758		-4,072,568
Total Financing by Object	38,323,421	36,856,367	57,342,935	55,991,279	55,882,529	-108,750	-1,460,406
Percent Change from Previous Year		-3.8%	55.6%	-2.4%	-0.2%	-0.2%	-2.5%

2007 Budget Plan

2007 Priorities

- 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. Review proposals in search of the solutions that serve the City in the long term, ever mindful of the short-term needs.
- File continuing disclosure requirements electronically through use of Central Post Office.
- Work to establish a policy addressing levels of fund balance and use of fund balance as a budget financing source.

2007 Budget Explanation

Base Adjustments

The 2006 adopted budget was adjusted to set the budget base for 2007. The base includes the anticipated growth in salaries and fringes for 2007 for employees related to the bargaining process. It also includes 2% inflation growth on goods and services.

Mayor's Recommendation

- The 2007 proposed spending in the General Debt Service Fund (Fund 960) is \$37,765,134, a decrease of \$1,920,658 compared to 2006. The 2007 budget proposes issuing \$11,000,000 of Capital Improvement Bonds (CIB) in 2007, and assumes an estimated interest cost of 5.5% for the bonds in 2007. The \$8,000,000 reduction of CIB bonding in 2006 and 2007 compared to 2005 is a result of moving the RSVP portion of the bond sale to the General Obligation Special Assessment Debt Service Fund (Fund 963). The financing plan has not changed significantly.

- The 2004 amount reflects only the amount actually spent, and does not reflect the subsequent year debt that is budgeted in 2005 through 2007.
- The budget for the City Revenue Bonds Long-term Debt Fund (Fund 961) is \$7,669,791, down \$502,022 for 2007. This fund is financed with facility lease payments and Minnesota Wild hockey team revenues (payments in lieu of taxes). These bonds are secured by sales tax revenues. The \$502,022 decrease reflects changes in debt service due on the arena bonds.
- The budget for the General Obligation Special Assessment Debt Service (Fund 963) is \$9,540,014, up \$1,465,819 in 2007 compared to 2006. This increase is due to the 2006 bonds issued in the amount of \$12,500,000 and proposed issuance of 2007 bonds in the same amount to provide funding for the City's RSVP program and for its subsequent year budget.
- The budget for the City Revenue Note Debt (Fund 967) is \$1,016,340 and provides funds for: a Science Museum note, which is paid by cultural sales tax (STAR) monies and the People Connection, which is funded by contributions from the Convention & Visitors Bureau, the RiverCentre Authority and hotel tax receipts; and two police vehicle leases, funded by the General Fund. Spending for the fund decreased by \$394,795 in 2007 compared to 2006 due to reduction of the debt service.
- 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 (2007), and an amount needed to meet the obligations of the first half of the following year (the subsequent year 2008). So, the amount in the budget exceeds the amount spent in the budget year. This 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.

2007 Budget Plan (continued)

2007 Budget Explanation (continued)

Council Actions

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

- added a planned sale of 25 year Public Safety bonds of \$10,585,000 as financing for the Western District Police Sub Station,
- revised the planned CIB bond sale, reducing it from \$11,000,000 to \$6,250,000, reflecting changes made to the 2007 financing plans for the Western District Police Sub Station and the Jimmy Lee Recreation Center projects,
- included \$525,000 for sidewalk construction in the \$6,250,000 CIB bond sale, with financing support coming from the City's Street Maintenance Right of Way Fund,
- adjusted the borrowing interest rate on anticipated 2007 bond sales from 5.5% to 4.5%,
- changed the spending in the General Debt Service Fund (Fund 960) from the proposed level of \$37,765,134 to \$37,656,384 to be consistent with the above four actions, and
- accepted a technical change to accurately reflect the anticipated property tax financing and Water Pollution Bond reimbursement as planned in the Mayor's Proposed Budget.

The 2007 adopted Debt Service budget is \$55,882,529, and includes 2.1 FTEs.