

RatingsDirect®

Summary:

**St. Paul, Minnesota; Appropriations;
General Obligation; General
Obligation Equivalent Security; Moral
Obligation**

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

St. Paul, Minnesota; Appropriations; General Obligation; General Obligation Equivalent Security; Moral Obligation

Credit Profile		
St Paul GO		
Long Term Rating	AAA/Stable	Affirmed
St Paul Port Auth, Minnesota		
St. Paul, Minnesota		
St Paul Port Auth (St Paul) GO		
Long Term Rating	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services' affirmed its 'AAA' long-term and underlying rating (SPUR) on St. Paul, Minn.'s existing general obligation (GO) bonds, based on our recently released local GO criteria. At the same time, Standard & Poor's affirmed its 'AA+' long-term rating on the city's leased-backed debt, issued by various issuers, reflecting our view of the city's pledge to covenant and appropriate annual debt service payments. Finally, Standard & Poor's affirmed its 'AA' long-term rating to the city's series 2005 recreational facilities gross revenue bonds. The outlook on all ratings is stable.

The rating on the series 2005 bonds reflects Standard & Poor's view of the city's moral obligation pledge to replenish the debt service reserve fund. The moral obligation rating reflects what we view as the city's general credit characteristics and the risk of nonappropriation by the city council.

The GO bonds are secured by a pledge of the city's full faith credit and resources and an agreement to levy ad valorem property taxes without limitation as to rate or amount.

The ratings reflect our assessment of the city's:

- Adequate economy, benefiting from participation in the Minneapolis/St. Paul metropolitan area;
- Very strong budgetary flexibility, with available general fund reserves exceeding the city's 15% policy;
- Strong budgetary performance, with a recent trend of at least balanced general fund operating results, and projections for future balanced results, including in total governmental funds;
- Very strong liquidity, providing very strong cash levels to cover both debt service and expenditures;
- Very strong management, with strong financial policies; and
- Adequate debt and liability position.

Adequate economy

We consider St. Paul's economy adequate, given its participation in the broad and diverse Minneapolis/St. Paul metropolitan area. Ramsey County's unemployment rate was 5.8% in 2012. The city has projected per capita effective buying income at 85.9% of the nation. Economic market value, sourced from the Minnesota Department of Revenue, fell by 3.1% to \$18.88 billion in 2012. This level equates to \$64,577 per capita.

Very strong budget flexibility

In our opinion, the city's budget flexibility remains very strong, with available reserves exceeding 20% of general fund expenditures in 2012. The city anticipates reserve levels in 2013 and 2014 will be at least level with the 2012 amount. For audited fiscal 2012, general fund reserves totaled \$44.7 million or 21.4% of expenditures, excluding a \$5 million receivable from the city's golf fund due to that fund's consistent deficit balance.

Strong budgetary performance

The city's budgetary performance has been strong overall in our view, with a surplus of 3.2% for the general fund in fiscal 2012 and a surplus of 3.7% for total governmental funds, after adjusting for one-time items. Officials estimate that fiscals 2013 and 2014 will have balanced results for both the general fund and total governmental funds. In 2012, the largest general fund revenue sources included property taxes (33.2%), intergovernmental revenue (28.6%), and fees, sales and services (17.5%).

Very strong liquidity

Supporting the city's finances is liquidity we consider very strong, with total government available cash as a percent of total governmental fund expenditures exceeding 15% and as a percent of debt service above 120%. We believe the city has exceptional access to external liquidity. The city has issued bonds frequently during the past 15 years, including general obligation bonds and utility revenue bonds.

Very strong management conditions

We view the city's management conditions as very strong, with strong financial practices. The city council monitors budget-to-actual results on a monthly basis. Management updates its five-year financial model at least annually, and the council uses the model as a planning tool. The city also annually updates its five-year capital improvement plan. In addition to its formal reserve policy of 15% of expenditures, the city also has a comprehensive debt policy.

Adequate debt and contingent liability profiles

In our opinion, the city's debt and contingent liability profile is adequate, with total governmental fund debt service as a percentage of total governmental fund expenditures at 18%, and with net direct debt as a percentage of total governmental fund revenue at 59%. The city plans to issue \$38.5 million of new debt in 2014 and \$35.5 million in 2015 as a mix of GO and revenue-backed debt. Given the city's amortization schedule, which we consider rapid with 65.5% of outstanding debt due to retire within 10 years, we do not believe the additional debt will weaken the city's debt profile.

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 2012, city contributions to GERS and PEPFF were \$6.8 million and \$11.1 million, respectively, equal to the required contributions as set by state statutes; these payments combined comprised only 4.1% of total government fund expenditures (adjusted for one-time items).

The city contributes to 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, and contributed \$8.8 million in 2012.

Strong institutional framework

We consider the Institutional Framework score for Minnesota cities with population of more than 2,500 as strong. See Institutional Framework score for Minnesota.

Outlook

The stable outlook reflects our view of the city's consistent financial flexibility and liquidity, which we believe is supported by very strong management. Given our view of the stability of the city's economy, we do not anticipate revising the rating during the next two years. However, should the city's debt profile or budgetary performance weaken, we could lower the rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Related Research

S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

Ratings Detail (As Of December 23, 2013)		
St Paul recre facs gross rev bnds (Highland Natl Proj) ser 2005		
Long Term Rating	AA/Stable	Affirmed
St. Paul lse		
Long Term Rating	AA+/Stable	Affirmed
St. Paul GO cap imp bnds		
Long Term Rating	AAA/Stable	Affirmed
St Paul Port Auth, Minnesota		
St. Paul, Minnesota		
St Paul GO		
Long Term Rating	AAA/Stable	Affirmed
St Paul Port Auth (St Paul) taxable ltd tax supported business dev fin prog rfdg		
Long Term Rating	AA+/Stable	Affirmed
St Paul Port Auth (St Paul) GO		

Ratings Detail (As Of December 23, 2013) (cont.)		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
St. Paul Pub Lib Agy, Minnesota		
St. Paul, Minnesota		
St. Paul Pub Lib Agy (St. Paul) GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
St. Paul Hsg & Redev Auth, Minnesota		
St. Paul, Minnesota		
St. Paul Hsg & Redev Auth, Minnesota		
St. Paul Housing & Redev Auth (St. Paul) approp		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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