

General Fund

General Fund

2007 Adopted Budget

Purpose: One of four major budget categories, the General Fund is the principal financial support for such basic city services as the police and fire departments, parks and recreation, and general government operations (i.e., Mayor and City Council, human resources, finance and other support services). The major financing sources for this fund are property taxes, local government aid, franchise fees, and other revenues not dedicated to a specific purpose. The tables and graphs on the following pages detail the General Fund's adopted 2007 spending and financing plan.

Financing Highlights:

The major financing sources for this fund are:

- ❖ Property taxes – 26.4%
- ❖ State aids (incl. Local Government Aid) – 37.0%
- ❖ Franchise fees – 12.4%
- ❖ Other revenues, aids, and user fees – 24.2%

The adopted 2007 budget includes General Fund financing that maintains 2006 service levels and increases spending at a rate less than inflation. The largest increases in General Fund financing come from ongoing sources, including increased service fees and franchise revenues. State aids continue to decline as a source of funding-2007 paid aids from the state are less than in 1996, despite St. Paul's growth. State aids have declined nearly 20% since 2002.

Certified Local Government Aid (LGA): After years of substantial decreases in the City's LGA, 2007 aid payments will not be reduced. Reductions in State paid aids began in 2003, when Saint Paul's aid was reduced from \$76 million to \$63 million. The 2004 and 2005 reductions decreased the City's LGA to \$53 million. St. Paul's 2007 aid is \$59,961,201, essentially unchanged from 2006 but less than paid aids in 1996. State aid greatly assists the City in maintaining current service levels

without relying on tax increases. Since 2004, LGA has been allocated between the City budget and the Independent Library Agency.

Property Tax Levy: Financing for the adopted budget includes a total levy increase of \$5.5 million in order to fund City operations and service debt. \$48.9 million, about 70%, will finance General Fund operations. The remainder is used for City debt service or is levied on behalf of the Library Agency and St. Paul Port Authority.

Fund Balance: Historically, dollars from the City's fund balance have been used to finance past budgets and avoid an increase in the City's property tax levy. In 2005, the City's bond raters cautioned against further use of fund balance to finance current services, as the City was approaching a benchmark statistic for percent of fund balance on hand compared to the General Fund budget. The 2007 City budget does not use fund balance, in keeping with City fund balance policy developed in 2006.

City Franchise Fees: The estimated 2007 financing level will increase by \$2 million, thanks in part to the renegotiation of the Xcel franchise agreement.

General Fund Interest Earnings: Interest estimates are projected to increase by \$220,000 from 2006 to 2007 based on planned investment pool balances and interest rates.

Other General Fund Financing: The proposed budget for 2007 includes additional revenues as a result of raising the Certificate of Occupancy fee charged by Fire Prevention as well as hotel and motel tax revenue.

Spending Highlights:

Rate of Growth: Saint Paul's general fund budget is proposed to increase by \$5,083,714, or 3.0%, from \$166,824,455 in 2006 to \$171,908,169 in 2007. Growth in spending for 2007 is primarily driven by inflation, resulting in higher costs to continue services at 2006 levels.

Wage Increases: Salaries and benefits are the most significant cost in the City's operating budgets. The 2007 budget includes planned salaries and the anticipated growth in the city costs of employee insurance and other fringes, including annual increases in PERA employer pension contribution rates adopted by the 2005 State Legislature.

City Council: The adopted budget for 2007 is \$2,316,057, which is an increase of \$5,564 from the \$2,310,493 adopted 2006 budget. The 2007 budget proposal maintains the same staffing level as the 2006 adopted budget.

City Clerk's Office (formerly Citizen Services): The adopted general fund budget for the City Clerk's Office is \$302,402. Two major activities shift to other departments in the proposed budget, including Information and Complaint to Safety and Inspection and Marketing to the Office of Technology and Communications. The City Clerk activity decreased by \$2,670 or nearly 1%. The decrease was absorbed as a result of filling a vacancy at a lower salary level.

City Attorney: The adopted general fund budget is \$5,772,924, a 6.1% increase from the 2006 adopted budget. The budget maintains the same level of staffing as the 2006 adopted budget. It also includes an increase in continuance for dismissal revenues reflecting a change in the distribution method between the Courts and City. This increased revenue helps provide the resources to avoid a potential loss of a prosecutor position. In addition, \$25,000 in revenue was added for recovery of costs related to excessive consumption.

Financial Services: The proposed budget for the Office of Financial Services is \$1,932,082, which is an increase of \$58,923 over the adopted 2006 budget. A reduction for spending restraint was absorbed by non-personnel adjustments. Total FTEs and General Fund FTEs remained the same.

Fire Department: Fire's adopted general fund budget for 2007 is \$44,305,899, and is up \$478,160, or 1.1% from the adopted 2006 budget of \$44,327,239. The numbers for 2007 reflect the reorganization and creation of the Department of Safety and Inspection. As a result, Fire Prevention moves from the Fire department to the new department of Safety and Inspection. The adopted budget maintains the staff complement at the same level in 2007. The budget will include a 10% increase in paramedic transport rates. The additional investments in apparatus replacement begun in 2005 have continued into 2006 and 2007, to help accelerate the turnover of trucks and equipment, and reduce the age of the fleet. Fire apparatus will now be funded as a part of the STAR City Capital Project.

Human Resources: The general fund budget for Human Resources for 2007 is adopted at \$3,070,622, up \$26,758, or 0.9% from the 2006 budget of \$3,043,864. General Fund staff position FTEs have increased from 32.4 in 2006 to 32.6 in 2007.

Human Rights: The adopted general fund budget totals \$532,865, which is an increase of \$5,660, or 1.1% from the 2006 adopted budget. FTE changes are related to shifts from the special fund and an adjustment that accounts for actual 2006 FTE levels (no FTEs added for 2007).

Mayor's Office: The Mayor's Office budget for 2007 is \$1,456,446, which is a 2.5% increase from the 2006 adopted budget of \$1,421,239. The adopted budget reflects a shift of \$20,000 to the new Intergovernmental Relations function. It also includes 1.8 additional FTEs which is being handled through additional revenues and adjusting 2006 spending levels.

Parks: The Parks and Recreation general fund budget is \$24,236,154, and is \$1,032,913 or 4.5% more than the 2006 adopted budget. The budget includes a plan to reorganize recreation centers to hold down costs and provide better service to areas of the City, including a shift from a “building focus” to a “program focus.” The Parks FTE complement decreased by 5.5, primarily due to the recreation services reorganization.

Planning and Economic Development: In 2004, general fund financing was eliminated as a support source for the PED Operations fund, and in 2006, the remaining two general fund budget items were moved to other departments. For the most part, PED has no direct financial support from the general fund.

Police Department: The adopted general fund budget for the Police Department is \$68,019,378 for 2007, compared with \$66,380,718 for 2006. This is an increase of \$1,638,660. The adopted budget allows for funding of regular salaries and fringes for 602 sworn personnel in 2007, including 26 new officers to be trained in academies during 2007. The number of sworn positions budgeted in the general fund is 568.2 FTEs, up from 540.6 in 2006 and 526 in 2005. The budget maintains the additional \$1,000,000 for overtime added in the 2006 budget, to ensure a fully staffed complement of sworn personnel. Another \$200,000 in police overtime was added to the 2007 budget for proactive service and enforcement during the summer. Other increases also included in this budget are: roughly \$90,000 more for vehicle fuel, and \$64,253 more for 800 MHz telecommunications costs. The lease of additional squad cars will be deferred for a year, and an appropriate amount of savings reflecting turnover or vacancies from senior- to entry-level officers due to normal retirement patterns will be recognized.

The Police budget also reflects the early stages of the emergency communications center consolidation with Ramsey County. Support staff for the computer aided dispatch system are a part of the Office of Technology and Communications budget.

Public Works Department: The 2007 general fund budget adopted for Public Works is \$1,628,464, a .2% decrease from the 2006 adopted budget of \$1,632,469, and maintains the same level of service and staffing.

Department of Safety and Inspection: Safety and Inspection is a newly merged department that includes all functions of the former LIEP and NHPI departments, as well as the Fire Inspection function of the Department of Fire and Safety Services and the Information and Complaint function of the former Citizen Services Office. The general fund budget includes animal control, code enforcement, vacant building monitoring, nuisance abatement, information and complaint and fire inspections. The total adopted general fund budget for 2007 is \$5,061,804, which is approximately a 0.5% increase over the 2006 adopted budget for these activities. Significant increases include the addition of a 1.0 FTE Animal Control Officer financed by the Public Works Sewer fund to support sewer baiting and a net increase of \$220,000 to more accurately reflect historical patterns in summary nuisance abatement grounds maintenance. Significant decreases include a net savings of nearly \$300,000 due to staffing and goods and services efficiencies resulting from the department merger.

Office of Technology and Communications: The adopted general fund budget is \$7,936,438, an increase of \$808,858 or 11.4% from the 2006 adopted budget. The increase is related to a variety of factors including staff support for the new Computer-Aided Dispatch (CAD) system, technical support for library wi-fi services, and the shift of Marketing from the former Citizen Services Office. The changes result in a net increase of 6.8 FTEs.

The Independent Library Agency: 2002 State legislation provided the authority to allow the Saint Paul Public Library to become an independent unit, separate from Saint Paul City government. In 2003, the City Council adopted an ordinance creating the independent agency, effective for 2004. In accordance with the ordinance, the Independent Library Agency submitted its 2007 budget request to the Mayor, and the Mayor in turn presented the Library budget to the City Council. The Library Board and the City Council have adopted the budget of the Library Agency for 2007. The Library Agency is independent of the City, and, as such, the Library Agency budget is no longer a part of the City budget, and is not reflected in this book. The Library Agency publishes a separate budget book.

Budget Issues and Challenges

Property Tax Base

Saint Paul has a local property tax base that largely consists of residential properties—both owner-occupied and rental units. In total, 60% of the City's total local property tax levy (excluding fiscal disparities) falls on residential property. This is due to a variety of reasons, some longstanding and others more recent. Historically, as the home to many tax-exempt educational, medical, and state government institutions, a quarter to a third of the city's property (depending on the measures used) has been exempted entirely from helping to pay the city property tax levy. More recently, inflation in home values, while a welcome sign of a healthy local economy, has pushed up the share of taxes falling on homeowners and renters (through their rent payments).

State policy decisions enacted in recent years have added to the shift in property tax burden toward city residents. Changes in the state property tax classification system in 2001 changed the weighting system that distributes the property tax burden among business, residential, and other types of property, pushing a larger proportion of the tax onto residents even as overall tax levies were reduced. The state limited market value (LMV) law, which was enacted in the 1990's in a (temporary) effort to shield homeowner tax bills from the effects of market value inflation, is now being phased out, adding a backlog of previously untaxed value to residents' tax bills. LMV is currently scheduled to be completely eliminated by 2010.

In coming years, some Tax Increment Finance (TIF) districts will be decertified and returned to the City's property tax base. A total of \$1.4 million dollars in additional tax capacity returned to the general tax base for taxes payable in 2006 as a result of earlier de-certifications, and for taxes payable in 2009, TIF districts valued at nearly \$6.5 million of tax capacity will return to St. Paul's tax base. This additional tax base, much of it in commercial/industrial property, will somewhat ease the property tax burden on homeowners.

Pressure on Homeowners

Growth in market values, state tax law changes, and tax decisions by the school district and county in recent years have put considerable pressure on Saint Paul residents' property tax bills, even though the City did not increase its own property tax levy between 1994 and 2005 and raised the total levy only 3% in 2006. In 2007, LMV phase out, residential market value growth, and tax levy increases enacted by other jurisdictions will all add to homeowners' and businesses' tax bills, independent of any other decisions by the City. The total property tax bill for a typical St. Paul house (reflecting combined City, County, and school district tax levies) will increase about 17% in 2007.

State Budget Instability and Unpredictability of LGA and Other Policies

Local Government Aid is a significant revenue source for the City's general fund. Nearly 33% of City and Library agency General Fund revenue comes from this source. While the total share of the city budget dependent on state payments has dropped since 2003, the future of state Local Government Aid (LGA) remains a key variable in the City's ability to provide basic services. Although the City's 2007 aid amount increased slightly (.8%) over 2006, the new LGA formula has created instability and unpredictability in annual aid payments. The 2007 certified LGA payment, for example, was \$1.5 million less than projected months earlier.

State policymakers have an opportunity to help create a more stable budget environment for the City and its residents. Enacting measures at the state level to ensure more balanced and predictable state revenues overall would reduce fluctuations in local aid appropriations and help make future local budget planning and service delivery more predictable for both citizens and City officials. As a complement or alternative, state authorization of broader local authority for deciding how to raise revenue and what to use it for, would help to better insulate city services from state budget fluctuations, and allow for better local decision-making.

Cost Pressures

The costs the City bears as an employer (wages, benefits, workers' compensation, etc.) compete for service delivery dollars. The City must continue to find ways to prudently and responsibly manage these costs in order to maintain service delivery levels and maintain the integrity of the City's finances.

The single largest General Fund expense is employee wages and benefits – 82% of all General Fund spending is for personnel costs. Negotiated cost of living increases and health and retirement benefit increases added over \$3 million to the 2007 General Fund budget. A 2005 State law increasing the City's share of employee retirement contributions added over \$1.5 million to the 2007 budget.

Maintaining Adequate Financial Reserves

Since 1994, the City has allocated resources from its general fund balance to finance a share of the annual operating budget as a means to avoid the need for an increase in the property tax levy. This has been a planned management strategy to hold down property taxes and bring the city property tax burden back into line with surrounding communities, and it has been successful. Saint Paul's property tax ranking among metro cities dropped from first in 1991 to as low as 67th in the most recent survey.

This practice has also resulted in a gradual reduction of the General Fund balance from its peak of \$49.4 million in 1998 to approximately \$27.25 million at the end of 2005. The relatively gradual drop in fund balance over time, despite annually appropriating money from it, was the product of conservative revenue forecasting and holding actual spending somewhat under the budgeted amount in most departments in most years. In 2006, the City enacted a fund balance policy mandating that the General Fund's balance be at least 15% of combined General Fund and Library operating spending. At the current level of reserves, prudent management does not permit the use of fund balance to finance the 2007 operating budget. No General Fund balance will be spent in the 2007 budget.

Various overhead expenditures in the general fund can indirectly be related to special fund programs which receive their own revenue. For 2007, transfers from select special revenue funds will be made to help support some of these expenditures.

General Fund Budget

General Fund Balances (Revenues & Sources and Expenditures & Uses of Funds)					
	2003	2004	2005	2006	2007
	Actual	Actual	Actual	Adopted Budget	Adopted Budget
Beginning Balances	40,989,467	37,844,899	33,840,384	27,254,757	27,254,757
Revenues and Sources					
Transfers In	9,924,973	10,101,003	13,381,951	18,045,174	18,055,634
Property Taxes	40,107,165	39,235,087	42,990,712	43,658,825	45,464,320
Other Taxes	860,608	838,565	823,080	2,302,429	1,246,700
Licenses and Permits	918,350	872,106	876,144	993,443	982,443
Intergovernmental	76,195,713	65,260,620	57,473,669	64,170,300	63,542,411
Fees, Sales and Services	12,381,517	12,922,433	14,475,067	15,638,879	16,807,077
Franchise Fees	17,576,898	17,983,409	18,559,769	18,179,867	21,318,043
Interest Earned:					
On Investments	2,580,966	3,537,138	3,273,640	2,923,500	3,240,719
On Securities Lending Transactions - (a)	1,026,717	1,775,821	4,157,792	0	0
Inc (Dec) in Fair Market Value of Investments	(855,330)	(819,998)	(1,043,290)	0	0
Miscellaneous	609,142	1,173,740	1,397,396	912,038	1,250,822
Total	161,326,719	152,879,924	156,365,930	166,824,455	171,908,169
Expenditures and Uses (b)					
Attorney	5,030,828	5,063,378	5,318,128	5,441,370	5,772,924
City Clerk (c)	3,522,843	1,039,178	695,279	639,130	302,402
Council	1,963,116	2,217,733	2,193,535	2,310,493	2,316,057
Fire and Safety Services (c)	38,843,171	40,330,000	41,948,414	44,327,239	44,805,399
General Government Accounts - Miscellaneous	7,334,619	8,324,821	10,655,068	5,340,436	4,837,134
Libraries	11,316,692	0	0	0	0
Executive Administration (d)	6,456,537	7,214,764	7,376,299	7,605,533	6,992,015
Neighborhood Housing and Property Improvement (c)	0	2,791,828	3,037,237	2,816,246	0
Parks & Recreation	21,853,684	22,443,561	23,085,748	23,203,241	24,236,154
Planning and Economic Development	793,278	84,358	86,073	0	0
Police	54,885,619	57,257,577	60,931,291	66,380,718	68,019,378
Public Works	4,984,208	5,003,457	2,103,283	1,632,469	1,628,464
Safety and Inspection (c)	0	0	0	0	5,061,804
Technology	7,527,730	5,113,783	5,521,203	7,127,580	7,936,438
Fringe Benefits	0	0	0	0	0
Interest on Securities Lending Transactions - (a)	0	0	0	0	0
Total (e)	164,512,325	156,884,438	162,951,558	166,824,455	171,908,169
Ending Balance					
Reserved	5,334,613	4,340,815	4,187,181	5,100,000	5,100,000
Designated	32,172,784	29,109,596	23,035,751	21,325,000	21,570,000
Undesignated	337,502	389,974	31,825	829,757	584,757
Total (f)	37,844,899	33,840,385	27,254,757	27,254,757	27,254,757

- a) The 2006 adopted financing and spending budgets for Securities Lending Transactions will be amended when the actual amounts are known and available.
- b) For 2003 - 2005, no adjustments have been made to the historic expenditures and uses data to reflect any movement of organizational units among and between departments.
- c) In 2007, the Information and Complaint component of City Clerk, License, Inspection, and Environmental Protection (LIEP) and Neighborhood Housing and Property Improvement (NHPI) will be merged with the Fire Department's Fire Inspection unit as the new Department of Safety and Inspection (DSI).
- d) Executive Administration includes: Financial Services, Human Resources, Human Rights, License Inspection and Environmental Protection, and the Mayor's Office.
- e) The 2006 and 2007 Budget columns on this page do not include "Advances to Other Funds" and "Petty Cash Advances."
- f) Based on the 2003 - 2005 experience, the actual ending total balance for 2006 - 2007 will be greater than the listed budget ending total balance.

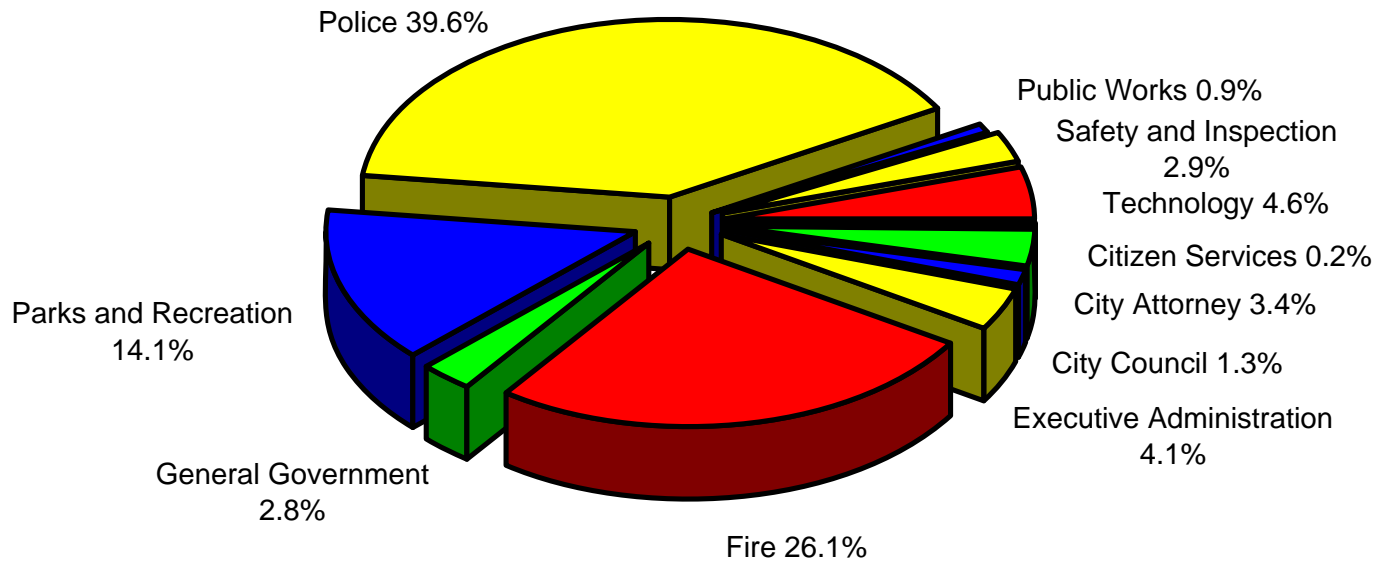
General Fund Budget

General Fund Spending (By Department)			
Department/Office	2005 Actual	2006 Adopted Budget	2007 Adopted Budget
Attorney	5,318,128	5,441,370	5,772,924
City Clerk (a)	695,279	639,130	302,402
Council	2,193,535	2,310,493	2,316,057
Financial Services	1,822,359	1,873,159	1,932,082
Fire and Safety Services (a)	41,948,414	44,327,239	44,805,399
General Government Accounts	10,655,068	5,340,436	4,837,134
Human Resources	3,071,329	3,043,864	3,070,622
Human Rights	515,251	527,205	532,865
Independent Library Agency (budget is published separately)			
License, Inspection, and Environmental Protection (a)	716,689	740,066	0
Mayor	1,250,671	1,421,239	1,456,446
Neighborhood Housing and Property Improvement (a)	3,037,237	2,816,246	0
Parks and Recreation	23,085,748	23,203,241	24,236,154
Planning and Economic Development	86,073	0	0
Police	60,931,291	66,380,718	68,019,378
Public Works	2,103,283	1,632,469	1,628,464
Safety and Inspection (a)	0	0	5,061,804
Technology	5,521,203	7,127,580	7,936,438
Total	162,951,558	166,824,455	171,908,169

a) In 2007, the Information and Complaint component of City Clerk, License, Inspection, and Environmental Protection (LIEP) and Neighborhood Housing and Property Improvement (NHPI) will be merged with the Fire Department's Fire Inspection unit as the new Department of Safety and Inspection (DSI).

General Fund Budget

2007 Adopted Spending by Department



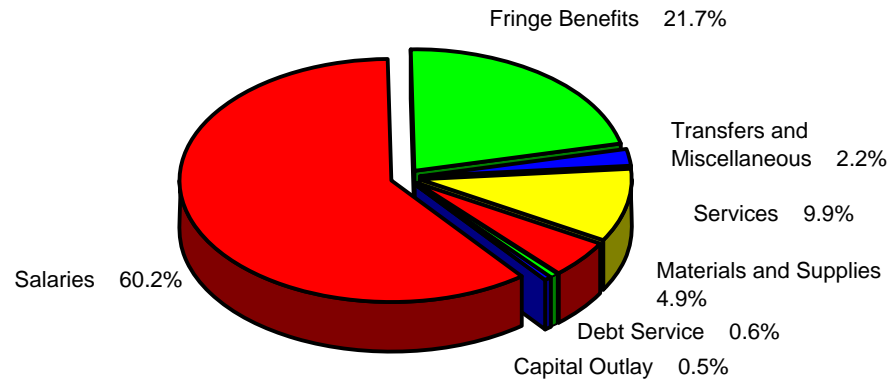
General Fund Budget

General Fund Spending (By Major Object)			
	2005 Actual	2006 Adopted Budget	2007 Adopted Budget
Object			
Salaries	96,323,903	102,461,091	103,771,318
Services	14,462,588	14,371,925	16,843,778
Materials and Supplies	8,383,253	7,827,582	8,475,072
Fringe Benefits	31,814,351	34,693,380	37,181,002
Transfers and Miscellaneous	6,062,751	4,491,595	3,684,126
Debt Service	5,078,423	1,055,618	1,055,618
Street, Sewer, Bridge Improvement	0	5,329	5,329
Capital Outlay	<u>826,289</u>	<u>1,917,935</u>	<u>891,926</u>
Total	162,951,558	166,824,455	171,908,169

General Fund Financing (Revenue By Source)			
	2005 Actual	2006 Adopted Budget	2007 Adopted Budget
Source			
Use of Fund Balance	6,585,628	0	0
Transfers	13,381,951	18,045,174	18,055,634
Taxes	43,813,792	45,961,254	46,711,020
Licenses and Permits	876,144	993,443	982,443
Intergovernmental Revenue	57,473,669	64,170,300	63,542,411
Fees, Sales and Services	14,475,067	15,638,879	16,807,077
Enterprise and Utility Revenues	18,559,769	18,907,348	22,127,308
Other Revenue Sources	<u>7,785,538</u>	<u>3,108,057</u>	<u>3,682,276</u>
Total	162,951,558	166,824,455	171,908,169

General Fund Budget

2007 Adopted Spending By Major Object



2007 Adopted Revenue By Source

