

# General Fund – 2011 Proposed Budget

**Purpose:** 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 proposed 2011 spending and financing plan.

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## Financing Highlights

The major financing sources for this fund are:

- ❖ Property taxes – 31.0%
- ❖ State aids (incl. Local Government Aid) – 33.7%
- ❖ Franchise fees – 11.7%
- ❖ Other revenues, aids, and user fees – 23.6%

**Certified Local Government Aid (LGA):** The amount of Local Government Aid generally has been lower and less predictable since state aid cuts that began in 2003. Although the state legislature increased the 2009 LGA appropriation for the first time since 2006, LGA was reduced through the Governor's unallotment process by \$5.7 million at the end of 2008 and further reduced by \$5.0 million in 2009 and \$17 million in 2010. State certified aid for 2011 restores Saint Paul's LGA back to the amount that was originally appropriated in 2009, which is a \$10 million increase over the amount budgeted for 2010.

**Property Tax Levy:** Financing for the proposed budget includes no new property tax resources for City operations and debt service. The total proposed levy amount remains at \$94.6 million, about 70% of that will finance General Fund operations and 19% is for the Library Agency. The remainder is used for City debt service or is levied on behalf of the St. Paul Port Authority.

**Fund Balance:** Historically, dollars from the City's fund balance had 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 2011 City budget does not use fund balance as a financing source, in keeping with City fund balance policy developed in 2006. Furthermore, the 2011 proposed budget is projected to comply with the minimum levels required by the adopted fund balance policy.

**City Franchise Fees:** The estimated 2011 financing level will increase slightly. There is a small projected increase in Xcel franchise fees and slight increases in current and deferred franchise fees from District Energy.

**General Fund Interest Earnings:** Interest estimates are projected to remain flat in 2011 based on expected investment pool balances and interest rates.

**Paramedic Fees:** The proposed budget for 2011 includes flat fees for paramedic runs, but expected revenue has been reduced by \$1.4 million to reflect actual collection trends.

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## Budget Issues and Challenges

**Rate of Spending Growth:** Saint Paul's General Fund budget as proposed will increase by \$5.6 million, or 2.6% relative to 2010. The growth in the budget is primarily related to growth in fringe benefits such as health care and pension obligations, staff shifts due to expiring grants and strategic investments to position the city for the future.

**Property Tax Base:** Saint Paul has a local property tax base that largely consists of residential properties, including both owner-occupied and rental units. In total 56% 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, nearly a third of the city's property has been exempted entirely from helping to pay the city property tax levy. During much of the past decade, rapid inflation in home values pushed up the share of taxes falling on homeowners and renters (through their rent payments). However, declines in residential property values in recent years has somewhat reversed the trend.

**State Budget Instability and Unpredictability of LGA:** Local Government Aid is a significant revenue source for the City's General Fund, accounting for nearly 34% of General Fund revenues. 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. Since late 2008, the State has unallotted or otherwise reduced LGA by a total of \$27.7 million over a three year period, which has caused a series of budget challenges and the reduction of important City services. Enacting measures at the state level to ensure more balanced and predictable revenues would reduce fluctuations in local aid appropriations and help make future local budget planning and service delivery more predictable for both City officials and the citizens of Saint Paul.

**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 largest General Fund expense is employee wages and benefits – 81% of all general fund spending is for personnel costs. Negotiated cost of living increases and health and retirement benefit increases added \$7.8 million to the 2010 General Fund budget.

**Maintaining Adequate Financial Reserves :** From 1994 - 2005, the City allocated resources from its General Fund balance to finance a share of the annual operating budget. This practice served as a means to avoid increases in the property tax levy and bring the fund balance down to a level consistent with recommended best practices. The General Fund balance decreased from its peak of \$49 million in 1998 to approximately \$35 million at the end of 2009. 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. Despite significant mid-year reductions of LGA in 2008, 2009 and 2010, the City continues to successfully manage fund balance consistent with the adopted policy. No General Fund balance is planned to be spent in the 2011 proposed budget.

## General Fund Budget

General Fund Spending (By Department)			
Department/Office	2009 Actual*	2010 Adopted Budget*	2011 Mayor's Proposed Budget
City Attorney (b)	6,271,921	6,396,084	6,943,356
Council	2,734,484	3,062,966	3,021,693
Emergency Management	244,367	252,429	260,052
Financial Services	3,617,099	3,387,997	3,574,486
Fire and Safety Services	49,707,545	53,178,411	54,759,325
General Government Accounts	4,665,677	7,469,095	6,156,932
HREEO (a)	1,196,309	1,370,164	1,611,955
Human Resources	3,017,099	3,169,122	3,239,921
Mayor's Office	1,296,391	1,434,754	1,440,842
Parks and Recreation	28,093,125	25,493,943	26,855,489
Police	74,423,599	76,306,811	79,138,753
Public Works	6,693,944	2,224,658	2,204,511
Safety and Inspection (b)	18,731,302	17,979,015	17,423,321
Technology	<u>11,408,048</u>	<u>9,339,754</u>	<u>10,015,459</u>
Total	212,100,909	211,065,203	216,646,096

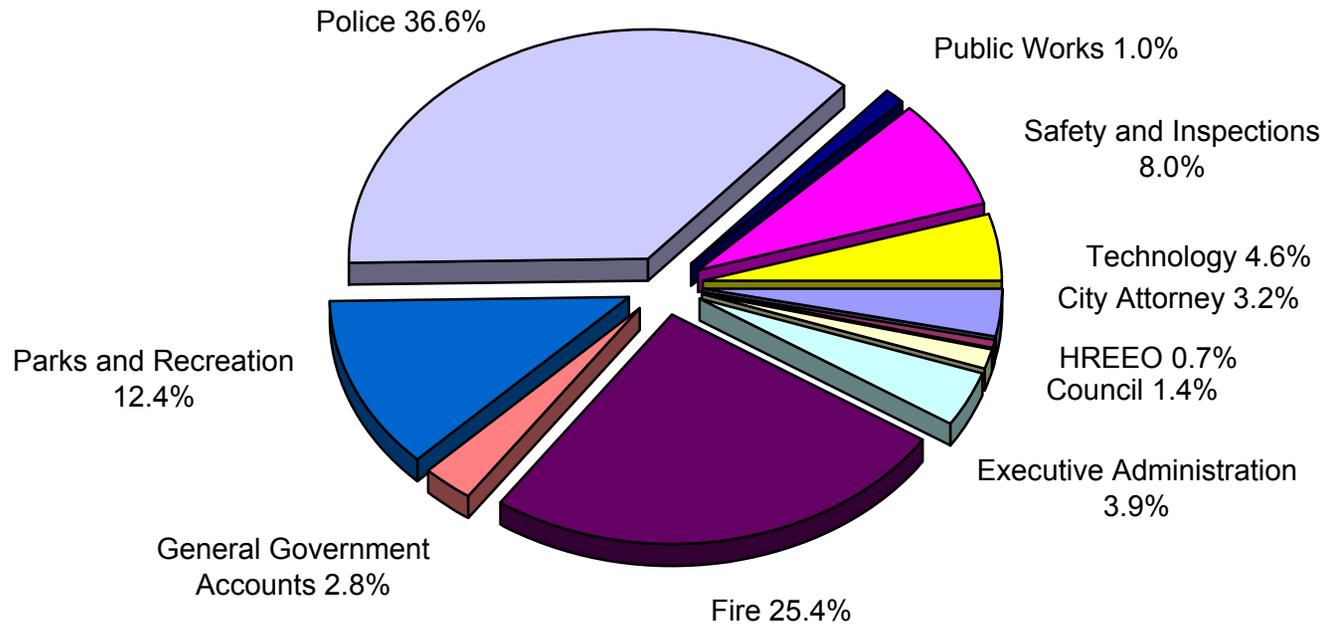
\* In 2011, the City of Saint Paul moved to a new Chart of Accounts. Pervious years' data is reported as if the new chart had been in place in 2009 and 2010.

a) In 2009, the Contract Analysis and RiverPrint components of the Office of Financial Services, the Equal Employment program in the Planning and Economic Development department, and the Human Rights department were merged to create the Human Rights and Equal Economic Opportunity (HREEO) department.

b) In 2011, portions of the Department of Safety and Inspections (DSI) were moved from special funds into the City's General Fund. To eliminate an unnecessary interdepartmental transfer, city attorneys supporting DSI actives were also shifted from a special fund to the general fund.

# General Fund Budget

## 2011 Proposed Spending by Department



## General Fund Budget

General Fund Spending (By Major Account)			
	2009	2010	2011
Object	Actual*	Adopted Budget*	Proposed Budget
Employee Expenses	164,366,084	168,933,752	176,141,258
Services	21,531,254	23,271,825	23,240,826
Materials and Supplies	9,089,896	9,855,497	10,033,555
Non Operating Expenses	12,434,655	1,602,456	1,363,008
Miscellaneous Spending	4,400,980	6,089,635	4,367,186
Capital Outlay	195,541	1,312,038	1,500,263
Debt Service	82,500	0	0
Total	<u>212,100,909</u>	<u>211,065,203</u>	<u>216,646,096</u>

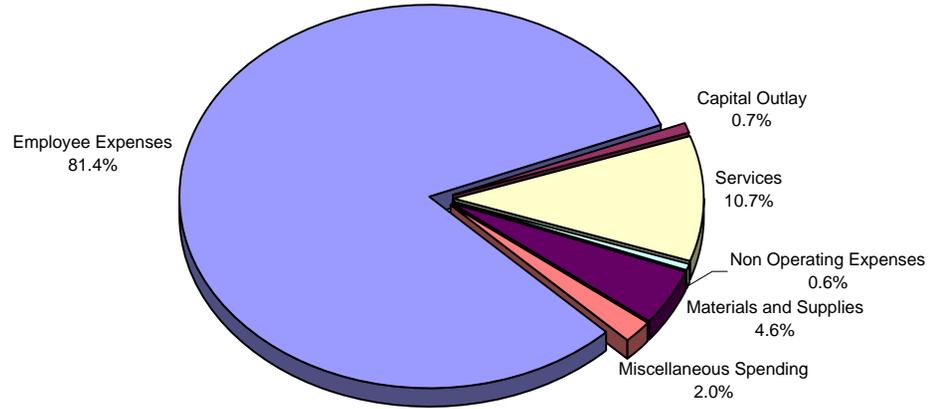
General Fund Financing (Revenue By Source)			
	2009	2010	2011
Source	Actual*	Adopted Budget*	Proposed Budget
Use of/Contribution to Fund Balance (a)	0	1,130,012	0
Taxes	61,361,389	68,141,980	67,069,083
Fees, Sales and Services	22,531,743	25,353,944	22,914,425
Franchise Fees	23,074,891	24,728,913	25,391,891
Fines and Forfeitures	82,788	47,000	47,000
Intergovernmental Revenue	66,072,036	63,044,351	72,927,709
Investment Income	2,376,868	2,415,034	2,415,034
License and Permits	9,408,719	9,833,274	9,989,303
Miscellaneous Revenue	3,162,543	603,865	588,114
Non-Operating Income	24,817,858	15,766,830	15,303,537
Total	<u>212,888,834</u>	<u>211,065,203</u>	<u>216,646,096</u>

\* In 2011, the City of Saint Paul moved to a new Chart of Accounts. Pervious years' data is reported as if the new chart had been in place in 2009 and 2010.

a) In 2011, the portions of the Department of Safety and Inspections (DSI) were moved from special funds into the City's General Fund. Because 2010 data is presented as if this new chart was in place, DSI's 2010 use of special fund fund balance is reported here.

# General Fund Budget

## 2011 Proposed Spending By Major Object



## 2011 Proposed Revenue By Source

