

City General Fund

General Fund – 2012 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 2012 spending and financing plan.

Financing Highlights

The major financing sources for this fund are:

- ❖ Property Taxes – 34.2%
- ❖ Local Government Aid – 23.6%
- ❖ Franchise fees – 11.8%
- ❖ Other revenues, aids, and user fees – 30.4%

Certified Local Government Aid (LGA): The amount of Local Government Aid has been lower and less predictable since state aid cuts that began in 2003. Since 2008, LGA has suffered mid-year reductions each year ranging from \$5 million in 2008 to \$12.2 million in 2011. During the 2011 special legislative session, the legislature permanently reduced LGA financing for Saint Paul to \$50.5 million, which represents a \$12.2 million reduction from the 2011 certified amount.

Property Tax Levy: Financing for the proposed budget includes an overall levy increase of \$6.1 million for a total of \$100.8 million. 73% of the total will finance General Fund operations and 17% is for the Library Agency. The remainder is used for City debt service or is levied on behalf of the St. Paul Port Authority.

City Franchise Fees: Estimated 2012 financing remains stable with small increases in cable and District Energy deferred fees.

General Fund Interest Earnings: Interest estimates are projected to remain flat in 2012 based on expected investment pool balances and interest rates.

Paramedic Fees: The proposed budget for 2012 is expected to remain flat. Improved collections and an improved agreement with Blue Cross/Blue Shield are expected to offset a continued shift to Medicare/Medicaid runs, which are reimbursed at a lower rate.

Budget Issues and Challenges

Rate of Spending Growth: Saint Paul's General Fund budget as proposed will decrease by \$349,020, or 0.2% relative to 2011. Cost drivers in the budget are primarily associated with an increase in health care costs, the planned expiration of public safety personnel grants and expected energy inflation. These inflationary cost pressures are offset by a corresponding reduction in department budgets.

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 53% 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.

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State Budget Instability and Unpredictability of LGA: Local Government Aid is a significant revenue source for the City's General Fund, accounting for nearly 24% of General Fund revenues. While the total share of the city budget dependent on state payments has dropped significantly 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 more than \$45 million over a four 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. Although wage pressures mitigated in 2012, health insurance continues to place ongoing pressure on city budgets. Other cost pressures include the expiration of public safety grants and inflation in energy commodities such as motor fuel.

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 \$36 million at the end of 2010. 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. To address a midyear reduction in state aid totaling \$15.6 million, the City expects to use reserves beyond the 15% fund balance threshold. However, the 2012 budget calls for a budgeted contribution to fund balance of \$3 million to replenish reserves and maintain compliance with City policy.

General Fund Budget

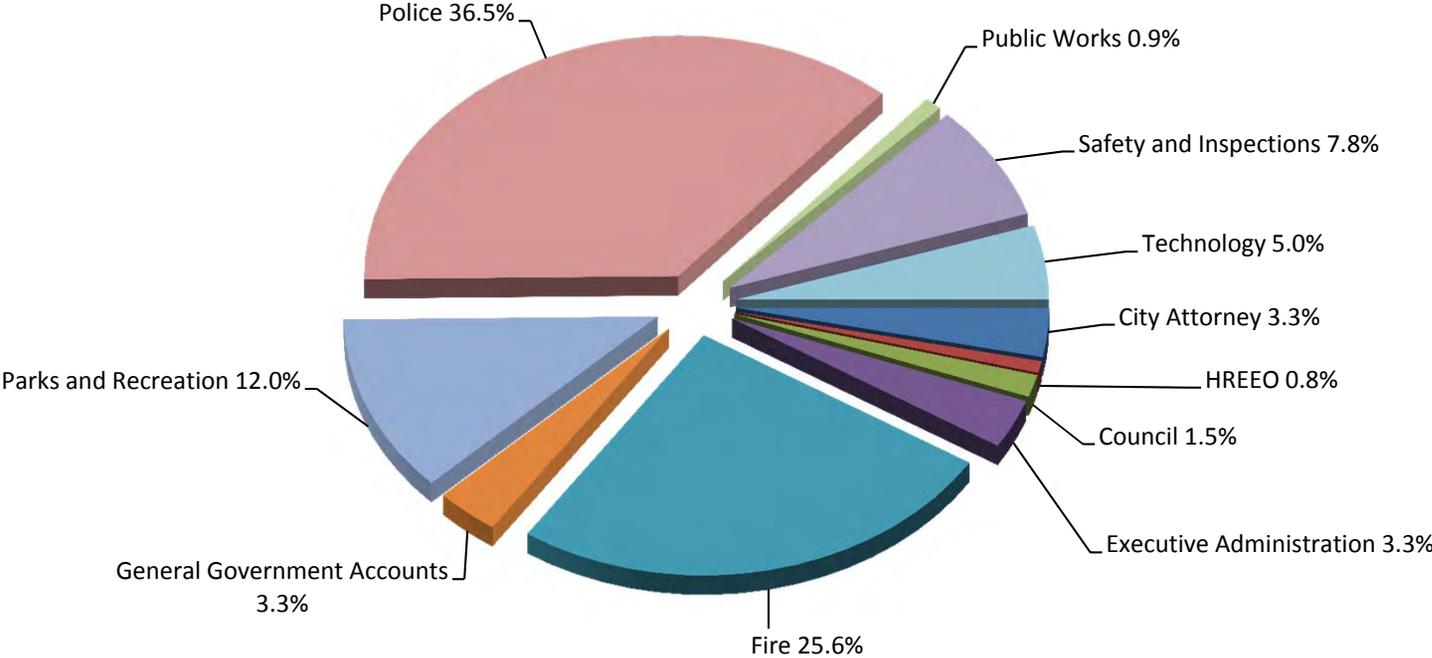
General Fund Spending (By Department)			
Department/Office	2010 Actual*	2011 Adopted Budget*	2012 Mayor's Proposed Budget
City Attorney (a)	6,304,537	6,863,483	6,965,897
Council	2,937,197	3,101,567	3,097,800
Emergency Management	338,587	260,052	256,897
Financial Services	4,803,247	2,004,923	2,054,341
Fire and Safety Services	51,749,382	54,673,164	54,690,603
General Government Accounts	6,509,249	6,302,433	7,099,870
HREEO	1,305,683	1,611,955	1,642,157
Human Resources	3,081,879	3,239,920	3,255,538
Mayor's Office	1,295,488	1,433,869	1,433,104
Parks and Recreation	24,446,463	26,741,030	25,667,627
Police	76,334,401	78,126,037	77,965,831
Public Works	6,678,383	2,204,511	2,020,563
Safety and Inspection (a)	17,459,220	17,244,536	16,666,176
Technology	<u>11,363,192</u>	<u>10,077,449</u>	<u>10,719,507</u>
Total	214,606,909	213,884,931	213,535,911

* For the 2012 budget, the City of Saint Paul moved to a revised Chart of Accounts. Previous years' data is reported as if the new chart had been in place in 2010 and 2011.

(a) 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 intrafund transfer, city attorneys supporting DSI actives were also shifted from a special fund to the general fund.

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2012 Proposed Spending by Department



General Fund Budget

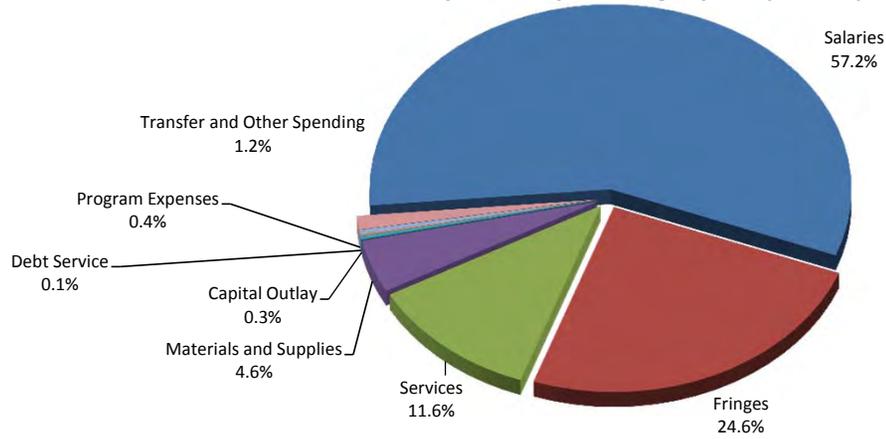
General Fund Spending (By Major Account)			
	2010 Actual*	2011 Adopted Budget*	2012 Proposed Budget
Object			
Salaries	119,802,175	124,302,898	122,413,112
Fringes	48,039,045	51,626,968	52,458,477
Services	22,536,814	23,861,285	24,797,031
Materials and Supplies	8,650,895	10,474,424	9,847,700
Capital Outlay	1,876,432	595,263	586,672
Debt Service	226,483	146,267	146,267
Program Expenses	751,245	811,267	811,267
Transfer and Other Spending	<u>12,723,819</u>	<u>2,066,559</u>	<u>2,475,385</u>
Total	214,606,909	213,884,931	213,535,911

General Fund Financing (Revenue By Source)			
	2010 Actual*	2011 Adopted Budget*	2012 Proposed Budget
Source			
Use of/(Contribution to) Fund Balance	0	0	(2,997,930)
Taxes	66,260,002	65,570,310	73,066,369
Fees, Sales and Services	22,059,087	22,884,218	29,087,178
Franchise Fees	24,455,961	25,546,891	25,074,131
Fines and Forfeitures	48,710	47,830	67,000
Intergovernmental Revenue	60,809,300	72,498,265	60,940,004
Interest	2,501,902	2,415,034	2,415,034
License and Permits	10,258,866	9,989,303	10,724,694
Debt Financing	2,083,500	0	0
Transfers and Other Financing	<u>25,923,160</u>	<u>14,933,080</u>	<u>15,159,431</u>
Total	214,400,488	213,884,931	213,535,911

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General Fund Budget

2012 Proposed Spending By Major Object



2012 Proposed Revenue By Source

