

City General Fund

General Fund – 2013 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 2013 spending and financing plan.

Financing Highlights

The major financing sources for this fund are:

- ❖ Property Taxes – 33.7%
- ❖ Local Government Aid – 22.7%
- ❖ Franchise fees – 11.4%
- ❖ Other revenues, aids, and user fees – 32.2%

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. Between 2008 and 2011 LGA has been reduced mid-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 \$50.3 million, which represents a \$12.2 million reduction from the 2011 certified amount and a nearly \$26 million reduction from the amount certified in 2003.

Property Tax Levy: Financing for the proposed budget includes an overall levy increase of \$1.9 million for a total of \$101.2 million. 71% of the total will finance General Fund operations and 16% 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 2013 financing remains stable with small increases in cable and District Energy deferred fees.

Paramedic Fees: The proposed budget for 2013 is expected to increase slightly after several years of flat to declining revenue. Improved collections and an improved agreement with Blue Cross/Blue Shield are offsetting 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 increase by \$7.9 million, or 3.7% relative to 2012. Cost drivers in the budget are primarily associated with an increase in personnel costs, the planned expiration of public safety personnel grants, opening new facilities, including the Gorilla Forest exhibit at Como Zoo and the Payne/Maryland library/recreation center facility and significant investments in technology infrastructure.

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 52% 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 paying city property taxes. 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 recently 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 21% of General Fund and Library Agency 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. The City continues to work hard 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.

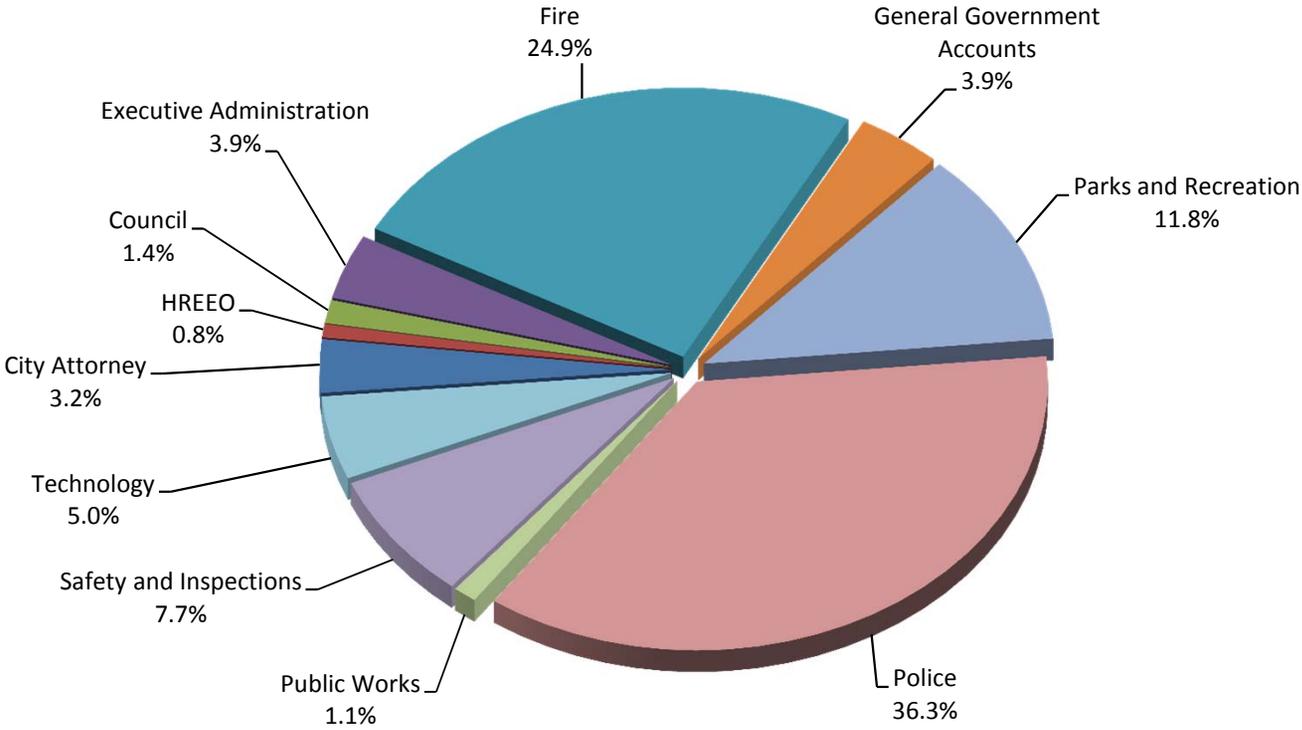
Maintaining Adequate Financial Reserves: From 1994 - 2005, the City spent from its General Fund balance to finance a share of the annual operating budget, which decreased the fund balance from its peak of 31% of subsequent year spending in 1998 to just under 15% in 2005. In 2006, the City enacted a fund 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, 2010 and 2011, the City continues to successfully manage fund balance consistent with the adopted policy, including solving a 2011 mid-year budget deficit of over \$15 million without dipping into fund balance. The 2013 proposed budget maintains compliance with the fund balance policy, while continuing to utilize financial management best practices by maintaining structural balance without relying on use of fund balance or other one-time resources to fund ongoing spending commitments.

General Fund Budget

General Fund Spending (By Department)			
Department/Office	2011 Actual	2012 Adopted Budget	2013 Mayor's Proposed Budget
City Attorney	6,609,516	6,965,897	7,169,056
Council	2,851,977	3,097,800	3,045,282
Emergency Management	254,614	256,897	248,825
Financial Services	1,599,124	2,054,341	3,874,488
Fire and Safety Services	52,516,849	55,163,570	55,045,931
General Government Accounts	6,927,417	6,699,870	8,599,138
HREEO	1,505,739	1,642,157	1,812,616
Human Resources	3,044,715	3,255,538	3,223,979
Mayor's Office	1,263,236	1,433,104	1,392,578
Parks and Recreation	26,019,546	25,667,627	26,098,540
Police	75,100,066	77,875,280	80,426,718
Public Works	1,866,176	1,999,537	2,381,665
Safety and Inspection	14,928,985	16,733,503	17,050,056
Technology	9,643,998	10,719,507	11,035,697
Total	204,131,960	213,564,627	221,404,569

General Fund Budget

2013 Proposed Spending by Department



General Fund Budget

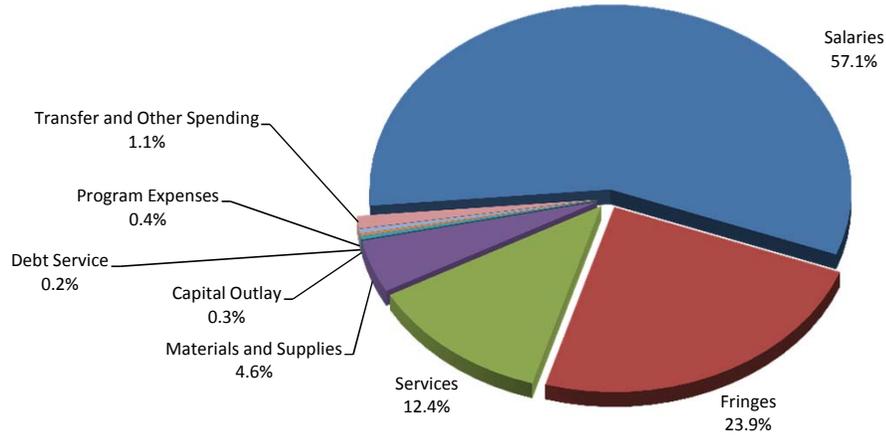
General Fund Spending (By Major Account)			
	2011	2012	2013
Object	Actual	Adopted Budget	Mayor's Proposed Budget
Salaries	119,649,557	122,874,055	126,447,926
Fringes	48,286,833	52,537,828	52,851,732
Services	22,578,917	24,576,155	27,540,135
Materials and Supplies	9,381,902	9,920,881	10,166,793
Capital Outlay	738,162	586,672	586,672
Debt Service	93,565	183,204	541,934
Program Expenses	798,286	811,267	811,267
Transfer and Other Spending	<u>2,604,738</u>	<u>2,074,566</u>	<u>2,458,110</u>
Total	204,131,960	213,564,627	221,404,569

General Fund Financing (Revenue By Source)			
	2011	2012	2013
Source	Actual	Adopted Budget	Mayor's Proposed Budget
Use of/(Contribution to) Fund Balance	0	(2,997,930)	0
Taxes	63,509,659	73,004,317	74,637,457
Fees, Sales and Services (a)	30,302,085	29,127,878	39,498,021
Franchise Fees	24,519,255	25,074,131	25,251,131
Fines and Forfeitures	55,099	67,000	67,000
Intergovernmental Revenue	62,332,841	61,240,005	60,930,005
Interest	4,376,123	2,215,034	2,215,034
License and Permits	11,258,570	10,574,694	10,024,694
Debt Financing	11,600	0	0
Transfers and Other Financing (a)	<u>10,935,577</u>	<u>15,259,498</u>	<u>8,781,227</u>
Total	207,300,810	213,564,627	221,404,569

(a) For the 2013 proposed budget, central service revenue has been reclassified to services; in previous years, it was budgeted in transfers. This change was made to better comply with GASB reporting standards regarding transfer revenues.

General Fund Budget

2013 Proposed Spending By Major Object



2013 Proposed Revenue By Source

