

Overview of Combined City and Library Agency Budgets

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With the creation of the independent Saint Paul Public Library Agency beginning with the 2004 budget year, detailed information about library budgets and activities is now presented in a separate document, and is generally excluded from the City budget information contained in this publication.

The information provided in this section is intended to give a high-level overview of the combined City and Library Agency budgets and permit overall year-to-year comparisons to be made more easily. Detailed information about the Library Agency budget will be made available in a separate publication published by the Agency.

Total Combined City and Library Agency Budgets: 2005 Adopted and 2006 Adopted

	<u>2005</u> <u>Adopted</u>	<u>2006</u> <u>Adopted</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percent</u>
City operations	366,917,734	383,063,895	16,146,161	4.4%
Library operations	<u>14,513,374</u>	<u>14,647,444</u>	<u>134,070</u>	0.9%
<i>Total operations</i>	381,431,108	397,711,339	16,280,231	4.3%
City debt service	54,706,536	57,342,935	2,636,399	4.8%
Library debt service	<u>3,094,965</u>	<u>3,042,988</u>	<u>-51,977</u>	-1.7%
<i>Total debt service</i>	57,801,501	60,385,923	2,584,422	4.5%
City capital improvements	81,719,000	95,747,000	14,028,000	17.2%
Library capital improvements	<u>0</u>	<u>201,607</u>	<u>201,607</u>	NA
<i>Total capital improvements</i>	81,719,000	95,948,607	14,229,607	17.4%
Total combined budgets:	<u>520,951,609</u>	<u>554,045,869</u>	<u>33,094,260</u>	6.4%

Workforce Summary, City and Library Agency Combined

	<u>2005</u> <u>Adopted</u>	<u>2006</u> <u>Adopted</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percent</u>
City FTEs (All Funds)	2,748.5	2,772.2	23.7	0.9%
Library FTEs (All Funds)	<u>180.8</u>	<u>189.3</u>	<u>8.5</u>	4.7%
<i>Total Combined FTEs</i>	2,929.3	2,961.5	32.2	1.1%

**Property Tax Financing and State Aid: City, Library Agency and Port Authority Combined
2005 Adopted vs. 2006 Adopted**

	Property Tax Levy*				<u>Pct of City 05 Total</u>	<u>Pct of City 06 Total</u>
	<u>2005 Adopted</u>	<u>2006 Adopted</u>	<u>Amount Change</u>	<u>Pct. Change</u>		
City of Saint Paul						
General Fund	45,642,975	47,264,337	1,621,362	3.6%	72.9%	73.2%
General Debt Service	6,653,277	6,653,277	0	0.0%	10.6%	10.3%
Saint Paul Public Library Agency	10,318,836	10,615,292	296,456	2.9%	16.5%	16.4%
Total (City and Library combined)	62,615,088	64,532,906	1,917,818	3.1%	100.0%	100.0%
Port Authority	1,312,175	1,312,608	433	0.0%		
Overall Levy (City, Library & Port)	63,927,263	65,845,514	1,918,251	3.0%		

* This is the total property tax levy used to determine tax rates. Actual financing available to support the budget is less, due to a 2% "shrinkage" allowance for delinquent taxes. The State pays a portion of the tax levy through the Market Value Homestead Credit, which is included in these numbers.

Local Government Aid Financing

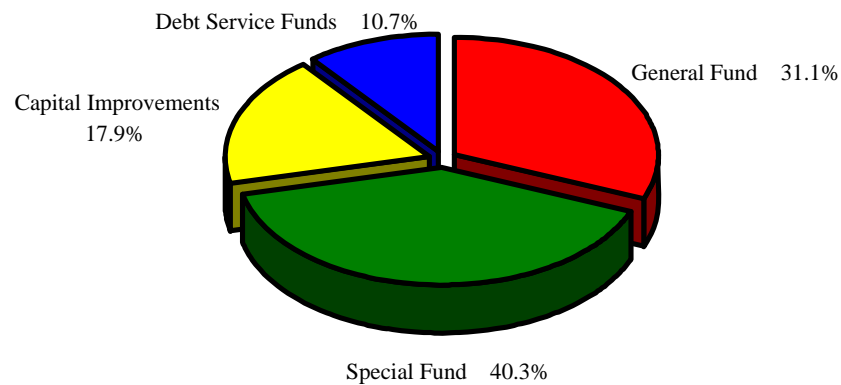
	<u>2005 Adopted</u>	<u>2006 Adopted</u>	<u>Amount Change</u>	<u>Pct. Change</u>	<u>Pct. Of 05 Total</u>	<u>Pct. of 06 Total</u>
	City of Saint Paul					
General Fund	48,184,944	54,577,670	6,392,726	13.3%	90.7%	91.7%
General Debt Service	0	0	0	N.A.	0.0%	0.0%
Saint Paul Public Library Agency	4,966,891	4,966,891	0	0.0%	9.3%	8.3%
Total (City and Library combined)	53,151,835	59,544,561	6,392,726	12.0%	100.0%	100.0%

City Composite Summary

Composite Summary - Total Budget

City of Saint Paul: All Funds			
Composite Plan	2004 Actual Budget	2005 Adopted Budget	2006 Adopted Budget
General Fund (Operating)	156,884,438	158,348,049	166,824,455
Special Fund (Operating)	178,889,482	208,569,685	216,239,440
Capital Improvements	73,498,059	81,719,000	95,747,000
Debt Services Funds	35,556,831	54,706,536	57,342,935
Total Budgets (Unadjusted)	<u>444,828,810</u>	<u>503,343,270</u>	<u>536,153,830</u>
Less Transfers	(44,348,269)	(46,978,777)	(53,946,751)
Less Subsequent Year Debt	<u>0</u>	<u>(20,826,175)</u>	<u>(20,985,514)</u>
Adjusted Financing Plan	<u>400,480,541</u>	<u>435,538,318</u>	<u>461,221,565</u>

Composite Summary - Total Budget 2006 Adopted Budget



Composite Summary - Workforce

City of Saint Paul: All Funds Full Time Equivalent (FTEs)			
Department	2004 Adopted Budget	2005 Adopted Budget	2006 Adopted Budget
Attorney	65.8	66.8	68.2
Citizen Services	9.0	8.5	7.5
Council	25.5	27.7	26.7
Debt Service Fund	2.4	2.0	2.3
Financial Services (c)	44.2	44.2	44.8
Fire and Safety Services	459.6	464.6	474.6
General Government Accounts	1.1	0.1	0.1
StP-RC Health	64.1	60.1	59.9
Human Resources	31.2	32.9	32.4
Human Rights	7.0	7.2	7.2
License, Inspection and Env. Protection	107.6	107.5	107.5
Mayor's Office	14.8	15.0	15.0
Neighborhood Housing & Property Improvement	32.2	34.2	34.6
Parks and Recreation	472.0	532.1	538.9
Planning and Economic Development	91.5	92.2	86.1
Police	745.9	744.6	760.1
Public Works	434.3	435.9	431.6
Office of Technology	<u>68.2</u>	<u>72.9</u>	<u>74.7</u>
Total	<u><u>2,676.4</u></u>	<u><u>2,748.5</u></u>	<u><u>2,772.2</u></u>
Total General Fund	<u>1,658.6</u>	<u>1,684.8</u>	<u>1,725.5</u>
Total Special Fund	<u>1,017.8</u>	<u>1,063.7</u>	<u>1,046.7</u>

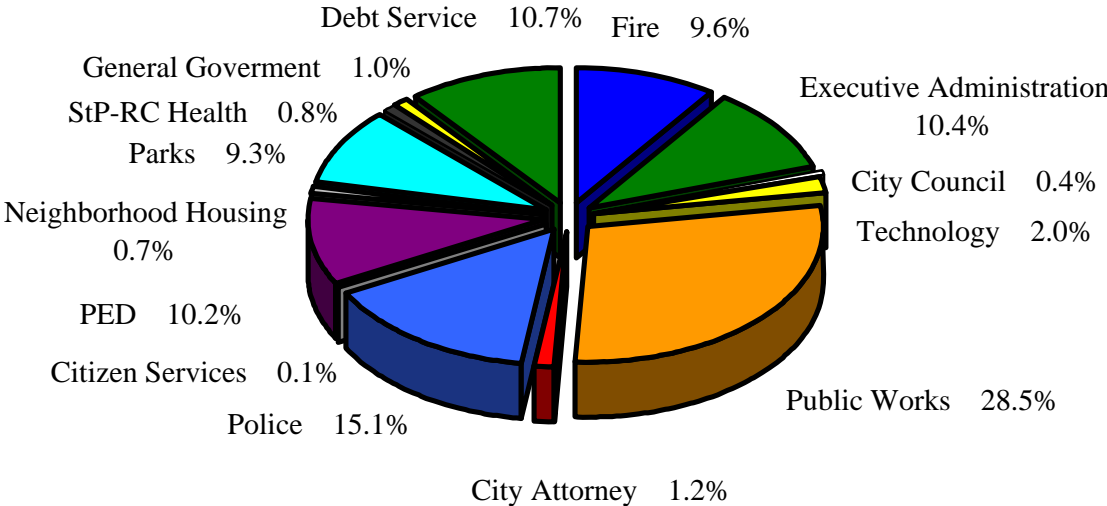
Composite Spending - By Department

2006 Adopted Budget (By Department and Fund Type)					
Department	General Fund	Special Funds	Debt Service	Capital Budget	Total All Budgets
Attorney	5,441,370	1,042,110			6,483,480
Citizen Services	639,130	0			639,130
Council	2,310,493	94,499			2,404,992
Debt Service	0		57,342,935		57,342,935
Financial Services	1,873,159	13,159,096		20,334,000	35,366,255
Fire and Safety Services	44,327,239	7,053,674		350,000	51,730,913
General Government Accounts	5,340,436				5,340,436
StP-RC Health	0	4,095,050			4,095,050
Human Resources	3,043,864	1,862,742			4,906,606
Human Rights	527,205	67,944			595,149
Libraries (a)	0	0			0
License, Inspection, and Environ. Prot.	740,066	11,846,479			12,586,545
Mayor's Office	1,421,239	643,589			2,064,828
Neighborhood Housing & Property Impr.	2,816,246	772,008		200,000	3,788,254
Parks and Recreation	23,203,241	20,195,335		6,411,000	49,809,576
Planning and Economic Development	0	20,121,419		34,800,000	54,921,419
Police	66,380,718	12,942,113		1,775,000	81,097,831
Public Works	1,632,469	119,258,933		31,877,000	152,768,402
Technology	7,127,580	3,084,449			10,212,029
Total	<u>166,824,455</u>	<u>216,239,440</u>	<u>57,342,935</u>	<u>95,747,000</u>	<u>536,153,830</u>

(a) Saint Paul Libraries became independent (the Library Agency) effective in 2004 and is no longer a part of the City of Saint Paul's operating and debt service budgets.

Composite Spending - By Department

2006 Adopted Budget



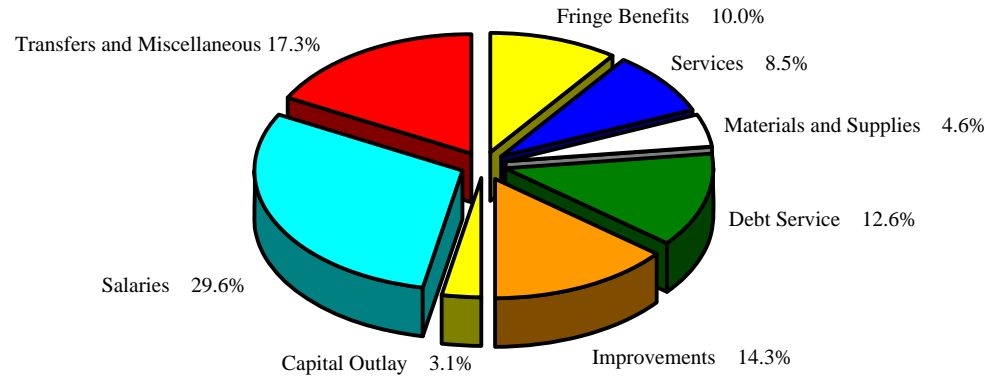
Composite Summary - Spending and Financing

Adopted Spending Summary (2006 Adopted Spending by Major Object)					
Object	General Fund	Special Fund	Debt Service	Capital Budget	Total
Salaries	102,461,091	55,871,327	137,302		158,469,720
Services	14,371,925	30,937,548	81,982		45,391,455
Materials and Supplies	7,827,582	16,796,270	6,793		24,630,645
Fringe Benefits	34,693,380	19,135,440	42,089		53,870,909
Transfers and Miscellaneous	4,491,595	65,372,726	780,000	22,323,000	92,967,321
Debt Service	1,055,618	10,406,060	56,294,769		67,756,447
Improvements	5,329	3,078,600		73,424,000	76,507,929
Capital Outlay	1,917,935	14,641,469			16,559,404
TOTAL	<u>166,824,455</u>	<u>216,239,440</u>	<u>57,342,935</u>	<u>95,747,000</u>	<u>536,153,830</u>

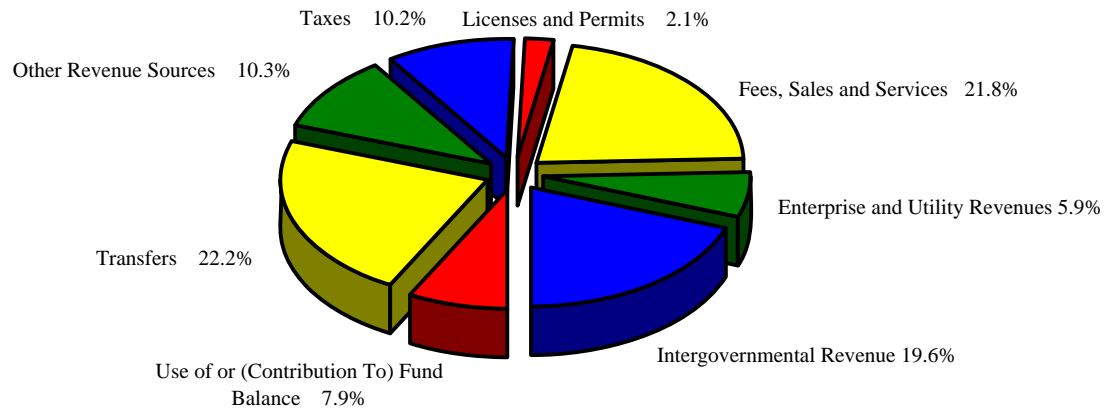
Financing Summary (2006 Adopted Revenue By Source)					
Source	General Fund	Special Fund	Debt Service	Capital Budget	Total
Use of or (Contribution to) Fund Balanc	0	15,062,499	27,343,326		42,405,825
Transfers	18,045,174	11,552,669	11,233,636	78,429,000	119,260,479
Taxes	45,961,254	2,334,380	6,246,510		54,542,144
Licenses and Permits	993,443	10,311,718			11,305,161
Intergovernmental Revenue	64,170,300	27,305,396	376,311	13,175,000	105,027,007
Fees, Sales and Services	15,638,879	100,876,289			116,515,168
Enterprise and Utility Revenues	18,907,348	12,096,603	880,000		31,883,951
Other Revenue Sources	3,108,057	36,699,886	11,263,152	4,143,000	55,214,095
TOTAL	<u>166,824,455</u>	<u>216,239,440</u>	<u>57,342,935</u>	<u>95,747,000</u>	<u>536,153,830</u>

Summary - Spending and Financing

2006 Adopted Spending By Major Object



2006 Adopted Revenue By Source





General Fund

General Fund

2006 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 2006 spending and financing plan.

Financing Highlights:

The major financing sources for this fund are:

- Property taxes - 26.2%
- State aids (incl. Local Government Aid) - 38.1%
- Franchise fees - 10.9%
- Other revenues, aids, and user fees - 24.8%

From 1994 through 2005, the City property tax levy has been kept equal to or less than the levy of the prior year, so other revenues, aids and user fees have financed a slightly larger portion of the general fund budget. In 1994, property taxes contributed 32.4 percent of the budget and other revenues and fees supplied 12.2 percent. From 1994 through 2002, state aids, at about 45 percent, and franchise fees, at 10 percent, had stayed fairly consistent with respect to their level of general fund financing. Proportions changed radically in 2003 when significant reductions in State-paid aids occurred. Major sources for the growth since 1994 in other revenues have been interest earnings, fine revenues, paramedic fees, and the use of fund balances. The adopted 2006 financing breaks from this trend, with the first property tax levy increase since 1993 and no use of General Fund fund balance.

Certified Local Government Aid (LGA): After three years of substantial decreases in the City's LGA, the Legislature appropriated additional aid to Minnesota cities that greatly benefits St. Paul. Reductions in State paid aids began in 2003, when Saint Paul's aid was reduced from \$76,129,865 to \$63,082,264. The 2004 and 2005 reductions decreased the City's LGA to \$53,151,835. Initially scheduled to lose another \$1.1 million of aid in 2006, the 2005 Legislature provided an additional \$6.4 million instead. St. Paul's 2006 aid is \$59,544,561. This increase greatly assists the City in maintaining current service levels. Since 2004, LGA has been allocated between the City budget and the Independent Library Agency.

Property Tax Levy: The budget includes a levy increase of \$1.9 million (3%), the first levy increase since 1993, in order to fund budget priorities. With this increase, the proposed 2006 levy of \$65.8 million would remain under the amount levied in 1995 (\$66.5 million).

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 proposed budget prudently eliminates fund balance as a financing source. A formal fund balance policy was recommended by Mayor Kelly, and adopted by the City Council, to guide decisions in the future.

City Franchise Fees: The estimated 2006 financing level will be \$17.5 million. The Mayor's proposed budget reflected 2004 actual collections, and the City Council added \$196,458 based on more recent trends.

General Fund Interest Earnings: Interest earnings are budgeted at \$2.9 million, \$292,135 more than the 2005 estimate. Revenue estimates are based on assumptions of investment balances and interest rates.

Other General Fund Financing: The adopted budget for 2006 includes additional revenues as a result of extending parking meter enforcement to 6:00 p.m. It also includes a 5% increase in some paramedic fees that does not provide additional revenue to the City, but offsets federal reimbursement changes.

Spending Highlights:

Rate of Growth: Saint Paul's general fund budget will increase by \$8,476,406, or 5.3%, from \$158,348,049 in 2005 to \$166,824,455 in 2006. If approximately \$1.4 million in spending, a simple shift of staff from the special funds budget to the General Fund in the Office of Technology described below, is adjusted out, the increase in the General Fund is \$7,076,406, or 4.5%.

Wage Increases: Salaries and benefits are the most significant cost in the City's operating budgets. The 2006 budget includes planned salaries and the anticipated growth in the city costs of employee insurance and other fringes, including increased PERA employer pension contribution rates adopted by the 2005 State Legislature.

Retiree Insurance: A city wide budget adjustment was made late in the process to reflect a revised estimate for the cost of retiree insurance for 2006. This adjustment affected many general fund budgets.

City Council: The adopted budget for 2006 is \$2,310,493, which is a \$48,449 increase from the \$2,262,044 adopted 2005 budget.

Citizen Services Office: The budget for the Citizen Services Office is \$639,130, a 23% reduction from the 2005 adopted budget of \$834,862. Reductions are mainly in Marketing and Promotions and the elimination of a position in Records Management.

City Attorney: The adopted budget is \$5,441,370, a 3.5% increase from the 2005 adopted budget. The budget reflects the addition of 1.5 FTE due to a change made by the State in court calendaring which is supported by additional revenues.

Financial Services: The adopted budget for the Office of Financial Services is \$1,873,159, which is a decrease of \$7,355 from the adopted 2005 budget. Reductions for spending restraint and vacancy savings were absorbed by non-personnel adjustments and shifting of some costs to special funds. General Fund FTEs decreased by 0.5.

Fire Department: Fire's adopted general fund budget for 2006 is \$44,327,239, and is up \$2,104,253, or 5.0% from the adopted 2005 budget of \$42,222,986. The budget increases the adopted 2005 staff complement by nine firefighters from the same level in 2005, and adds funding for an emergency medical services chief. The budget will include a 5% increase in paramedic transport rates, offsetting in part a reduction in Medicare payments for medic services. The additional investments in apparatus replacement begun in 2005 have continued into 2006, to help accelerate the turnover of fire trucks and equipment, and reduce the age of the fleet.

Human Resources: The general fund budget for Human Resources for 2006 is \$3,043,864, and is down \$79,639, or 2.5% from the 2005 budget of \$3,123,503. Overall, staff position FTEs have increased from 31.2 in 2003 to 32.4 in 2006, a change of 1.2 for Human Resources.

Human Rights: The budget totals \$527,205, and maintains the same staffing level as in 2005.

License, Inspection, and Environmental Protection (LIEP): LIEP's Animal Control Division is its only general fund activity. Animal Control's proposed 2006 budget is \$740,066, and supports the same staffing level as in 2005.

Mayor's Office: The Mayor's Office budget for 2006 is \$1,421,239, which is a 4.4% increase from the 2005 adopted budget of \$1,361,039.

Neighborhood Housing and Property Improvement (NHPI): The budget for Neighborhood Housing and Property Improvement is \$2,816,214. It includes an annual \$78,483 repayment to the Community Development Block Grant fund that was previously in the Planning and Economic Development budget.

Parks: The Parks and Recreation General Fund budget is \$23,203,241, and is \$767,867 or 3.4% more than the 2005 adopted budget. The budget includes costs to open the Wellstone Center and \$170,000 for its operations contract. The City Council restored \$46,000 funding for a plan to close recreation centers, for short periods of time in the summer, for building maintenance. The Council also added \$350,392 to bring the Parks utility budget closer to actual spending levels. The budget includes a savings target of \$151,603, which was assigned based on current vacant positions. Parks' General Fund FTE complement increased by 1.6 compared to 2005.

Planning and Economic Development: In 2004, the City's general fund was eliminated as a financing source to support the PED operations fund. In 2006, the remaining two General Fund expenditures have been moved to other departments. An annual \$78,483 repayment to the Community Development Block Grant fund is now in the NHPI budget. \$30,600 for the Historic Preservation Commission is now budgeted in the General Government Accounts.

Police Department: The general fund budget for the Police Department is \$66,380,718 for 2006, compared with \$60,589,972 for 2005. This is an increase of \$5,790,746, or 9.6%, in the 2006 police general fund budget from the 2005 adopted budget. The budget allows for full funding of regular salaries and fringes for 576 sworn personnel in 2006, including 25 new officers to be hired in mid May, 2006. The number of sworn positions budgeted in the general fund is 540.6 FTEs, up from 526 in 2005. The budget also includes full funding of the contract settlement package in 2005 and an additional \$1,000,000 for overtime, which will ensure a fully staffed complement of sworn personnel. An amount of just under \$500,000 was also added to the budget for the City employer share of the recent PERA Police pension rate increase enacted by the State legislature. Other increases also included in this budget are: \$251,449 more for maintaining the records management system, \$125,000 more for vehicle fuel, \$40,000 more for fire insurance, and \$114,326 more for telecommunications costs.

To accommodate these increases, a number of other spending and financing adjustments have been adopted. These include shifting appropriate training-related costs to the POST Training special fund, applying resources from other Police special funds, deferring lease of

additional squad cars to January, 2007, and recognizing an appropriate amount of savings to reflect turnover (not vacancies) from senior- to entry-level officers due to normal retirement patterns. Fees at the Police Impound Lot will be raised by \$25 per instance, generating an additional \$325,000 per year.

Public Works Department: The 2006 general fund budget adopted for Public Works is \$1,632,469, a 27.7% decrease from the 2005 adopted budget of \$2,257,436, and maintains the same level of service. This budget reflects a transfer in traffic signal maintenance costs, as well as traffic engineering, to the department's special fund. This budget also includes \$51,000 in additional revenue from a 5% increase in right-of-way permit fees.

Office of Technology: The adopted budget is \$7,127,580, a 23.4% increase from the 2005 adopted budget of \$5,776,348. This significant increase is the result of moving 18.5 FTEs and \$1,405,132 from the special fund to the department's general fund. The additional spending is supported by revenues from city departments receiving service from the Information Services division.

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 2006 budget request to the Mayor, and the Mayor presented the Library budget to the City Council. The Library budget is no longer a part of the City budget, and is not reflected as part of the 2006 City budget in this 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, 80% 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 taken 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 now scheduled to be completely eliminated by 2010.

Pressure on Property Tax payers

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. In 2006 the LMV phase out, shifts in the metro fiscal disparities program, and school tax levy increases enacted by the 2005 State Legislature will all add to homeowners' and businesses' tax bills, independent of any other decisions by the City.

State Budget Instability and Unpredictability of LGA and Other Policies

Local Government Aid is a significant revenue source for the City's general fund. Almost 33 percent of 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 have resources to provide basic services. Although the City's 2006 aid amount increased over 2005, the new LGA formula has created instability and unpredictability in annual aid payments. The City anticipates losing \$1.6 million of LGA in 2007 under the current formula.

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—nearly 83% of all general fund spending is for personnel costs. Negotiated cost of living increases and health and retirement benefit increases added approximately \$4 million to the General Fund budget. A 2005 State law increasing the City's share of employee retirement contributions added over \$1 million to the 2006 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 55th in the most recent survey.

This practice has also resulted in a gradual reduction of the General Fund fund balance from its peak of \$49.4 million in 1998 to approximately \$33.8 million at the end of 2004. 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. At the current level of reserves, prudent management does not permit the use of fund balance to finance the 2006 operating budget.

Various overhead expenditures in the general fund can indirectly be related to special fund programs which receive their own revenue. For 2006, 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)					
	2002	2003	2004	2005	2006
	Actual	Actual	Actual	Adopted Budget	Adopted Budget
Beginning Balance:	43,723,326	40,989,467	37,844,895	33,840,385	26,895,532
Revenues and Sources					
Transfers In	6,127,135	9,924,973	10,101,003	13,971,909	18,045,174
Property Taxes	40,234,966	40,107,165	39,235,087	42,086,653	43,658,825
Other Taxes	1,019,448	860,608	838,565	1,158,460	2,302,429
Licenses and Permits	825,604	918,350	872,106	864,443	993,443
Intergovernmental	87,171,712	76,195,713	65,260,620	57,574,719	64,170,300
Fees, Sales and Services	10,894,816	12,381,517	12,922,433	14,236,716	15,638,879
Franchise Fees	17,839,903	17,576,898	17,983,406	17,840,511	18,179,867
Interest Earned:					
On Investments	3,858,336	2,580,966	3,537,138	2,631,365	2,923,500
On Securities Lending Transactions - (a)	1,195,386	1,026,717	1,775,821	0	0
Inc (Dec) in Fair Market Value of Investments	1,501,900	(855,330)	(819,998)	0	0
Miscellaneous	701,956	609,142	1,173,740	1,038,420	912,038
Total	<u>171,371,162</u>	<u>161,326,719</u>	<u>152,879,924</u>	<u>151,403,196</u>	<u>166,824,455</u>
Expenditures and Uses (b)					
Attorney	4,680,207	5,030,828	5,063,378	5,258,531	5,441,370
Citizen Services	3,633,061	3,522,843	1,039,178	834,862	639,130
Council	2,107,493	1,963,116	2,217,733	2,262,044	2,310,493
Fire and Safety Services	37,735,550	38,843,171	40,330,000	42,222,986	44,327,239
General Government Accounts - Miscellaneous	7,935,087	7,334,619	8,324,821	6,273,396	5,340,436
Libraries	11,051,469	11,316,692	0	0	0
Executive Administration - (c)	8,039,215	6,456,537	7,214,764	7,618,274	7,605,533
Neighborhood Housing and Property Improvement	0	0	2,791,828	2,709,743	2,816,246
Parks & Recreation	24,427,975	21,853,684	22,443,561	22,435,374	23,203,241
Planning and Economic Development	1,097,105	793,278	84,358	109,083	0
Police	55,356,250	54,885,619	57,257,577	60,589,972	66,380,718
Public Works	9,723,848	4,984,208	5,003,457	2,257,436	1,632,469
Technology and Management Services - (d)	7,673,403	7,527,730	5,113,783	5,776,348	7,127,580
Fringe Benefits - (e)	0	0	0	0	0
Interest on Securities Lending Transactions - (a)	0	0	0	0	0
Total (d)	<u>173,460,663</u>	<u>164,512,325</u>	<u>156,884,438</u>	<u>158,348,049</u>	<u>166,824,455</u>
Ending Balance					
Reserved	5,613,140	5,334,613	4,340,815	5,100,000	5,100,000
Designated	35,145,424	32,172,784	29,109,596	21,325,000	21,570,000
Undesignated	847,768	337,502	389,974	470,532	225,532
Total (f)	<u>41,606,332</u>	<u>37,844,899</u>	<u>33,840,385</u>	<u>26,895,532</u>	<u>26,895,532</u>

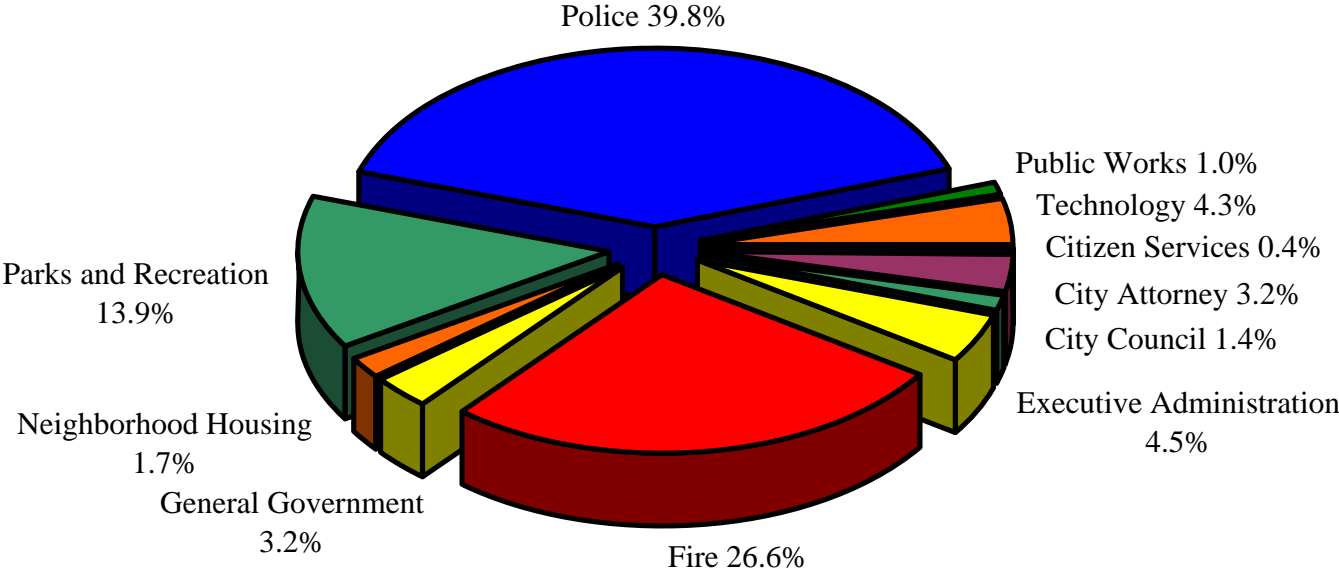
- a) The 2005 adopted financing and spending budgets for Securities Lending Transactions will be amended when the actual amounts are known and available.
- b) For 2001 - 2005, no adjustments have been made to the historic expenditures and uses data to reflect any movement of organizational units among and between departments.
- c) Executive Administration includes: Financial Services, Human Resources, Human Rights, License Inspection and Environmental Protection, and Mayor's Office.
- d) The 2005 and 2006 Budget columns on this page do not include "Advances to Other Funds" and "Petty Cash Advances."
- e) Based on the 2001 - 2004 experience, the actual ending total balance for 2005 - 2006 will be greater than the listed budget ending total balance.

General Fund Budget

General Fund Spending (By Department)			
Department/Office	2004 Actual	2005 Adopted Budget	2006 Adopted Budget
Attorney	5,063,378	5,258,531	5,441,370
Citizen Services	1,039,178	834,862	639,130
Council	2,217,733	2,262,044	2,310,493
Financial Services	1,849,559	1,880,514	1,873,159
Fire and Safety Services	40,330,000	42,222,986	44,327,239
General Government Accounts	8,324,821	6,273,396	5,340,436
Human Resources	2,877,735	3,123,503	3,043,864
Human Rights	504,108	520,361	527,205
Independent Library Agency (budget is published separately)			
License, Inspection, and Environmental Protection	714,386	732,857	740,066
Mayor	1,268,976	1,361,039	1,421,239
Neighborhood Housing and Property Improvement	2,791,828	2,709,743	2,816,246
Parks and Recreation	22,443,561	22,435,374	23,203,241
Planning and Economic Development	84,358	109,083	0
Police	57,257,577	60,589,972	66,380,718
Public Works	5,003,457	2,257,436	1,632,469
Technology	5,113,783	5,776,348	7,127,580
Total	156,884,438	158,348,049	166,824,455

General Fund Budget

2006 Adopted Spending by Department



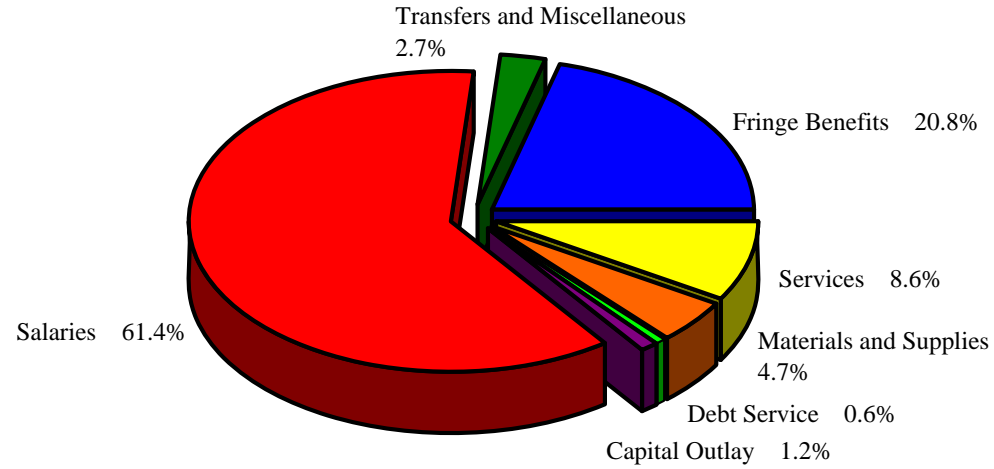
General Fund Budget

General Fund Spending (By Major Object)			
	2004 Actual	2005 Adopted Budget	2006 Adopted Budget
Object			
Salaries	93,572,984	96,009,819	102,461,091
Services	16,159,749	14,358,446	14,371,925
Materials and Supplies	8,004,853	7,327,070	7,827,582
Fringe Benefits	29,135,736	31,999,414	34,693,380
Transfers and Miscellaneous	5,945,865	5,591,032	4,491,595
Debt Service	2,754,726	1,255,618	1,055,618
Street, Sewer, Bridge Improvement	0	5,329	5,329
Capital Outlay	<u>1,310,525</u>	<u>1,801,321</u>	<u>1,917,935</u>
Total	156,884,438	158,348,049	166,824,455

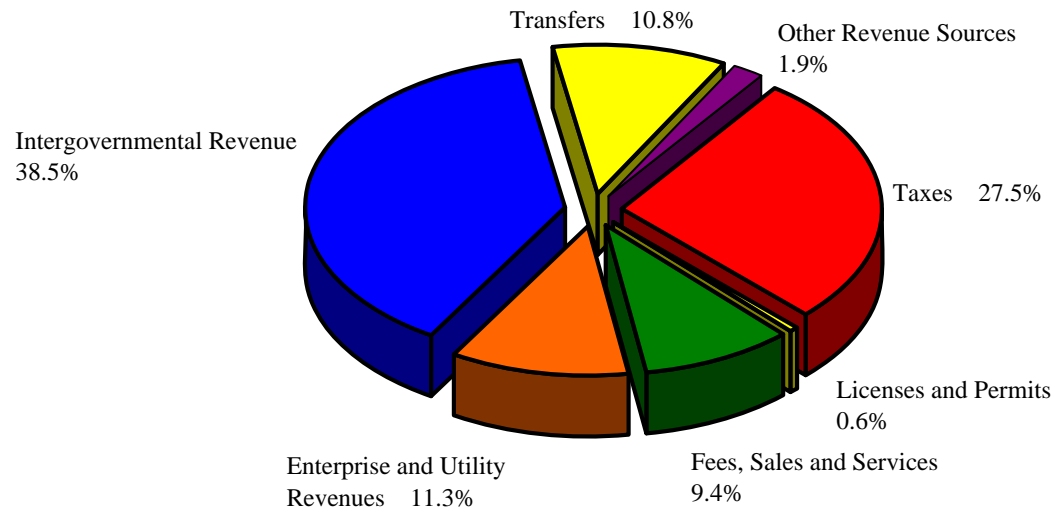
General Fund Financing (Revenue By Source)			
	2004 Actual	2005 Adopted Budget	2006 Adopted Budget
Source			
Use of Fund Balance	4,004,514	6,944,853	0
Transfers	10,101,003	13,971,909	18,045,174
Taxes	40,073,652	43,245,113	45,961,254
Licenses and Permits	872,106	864,443	993,443
Intergovernmental Revenue	65,260,620	57,574,719	64,170,300
Fees, Sales and Services	12,922,433	14,236,716	15,638,879
Enterprise and Utility Revenues	17,983,409	18,532,296	18,907,348
Other Revenue Sources	<u>5,666,701</u>	<u>2,978,000</u>	<u>3,108,057</u>
Total	156,884,438	158,348,049	166,824,455

General Fund Budget

2006 Adopted Spending By Major Object



2006 Revenue By Source





Special Funds

Special Funds

2006 Adopted Budget

Highlights:

The City has 51 special funds totaling \$216 million in adopted spending. The total excludes Regional Water Services, the St. Paul Public Library Agency, and RiverCentre special funds, which are submitted as separate budgets. Significant changes are indicated as follows:

Retiree Insurance: A city wide budget adjustment was made late in the process to reflect a revised estimate for the cost of retiree insurance for 2006. This adjustment affected many special fund budgets.

City Attorney Outside Services (Fund #025): A one-time expenditure of \$80,000 exists as a result of shifting \$80,000 from the City Attorney's general fund to their special fund. This provides the department with sufficient time to restructure and permanently reduce general fund costs associated with civil enforcement.

Property Code Enforcement (Fund #040): The budget recognizes that the City will continue to actively enforce the registration of rental properties as required by the legislative code to ensure that one and two family non-owner occupied rental properties do not become problem properties.

Special Projects: General Government Accounts Fund (Fund #050): Among its many functions, this fund's budget transfers approximately \$4.7 million of special funds' central service revenue to the General Fund.

Risk Management Retention Fun (Fund #060): This fund, new in 2006, was created based on decisions made in the 2005 budget process to account for the costs of Workers' Compensation, and to identify and charge workers' compensation costs to department budgets. The fund also includes other risk-related activities that were accounted for in other funds prior to 2005.

Community Development Block Grant (Fund #100): The adopted community development block grant fund is \$11.4 million, reflecting a potential \$500,000 reduction from the federal government. This reduction for 2006 is based on the actual reduction to the City's 2005 grant.

Cable Communications (Fund #166): The City receives a franchise fee from the cable operator, which is based on five percent of the cable company's gross revenues. Although there continues to be a small decline in overall subscriber numbers, the current revenue projection shows an increase based on historical receipts and increased costs to subscribers from the local cable operator. This fund's adopted budget includes a fund balance transfer of \$704,000 to the General Fund.

Engineering Fund (Fund #205): This fund's adopted budget includes a fund balance transfer of \$500,000 to the General Fund.

Parking Meter Collection and Fines (Fund #230): This fund is responsible for the collection and accounting of all meter and fine revenues. Transfers from this fund are made to the Police Department's special fund for Surface Parking Enforcement and to the City's General Fund. An additional \$350,000 in revenue is reflected based on a proposal to increase parking enforcement hours to 6:00 p.m.

Street Repair and Cleaning (Fund #225): The fund manages and supports the right-of-way assessment function by processing public improvement assessments as well as annual operations and maintenance service charges. The 2006 adopted budget includes a slight increase in the right-of-way assessment rates over those which were ratified for 2005. Savings, due to lower than expected spending in 2005, were used in part to fund deferred maintenance projects. It also includes a fund balance transfer of \$100,000 to the General Fund related to prior year transfers from the general fund which remained unspent.

Solid Waste & Recycling (Fund #232): This fund's adopted budget includes a fund balance transfer of \$200,000 to the General Fund.

Public Works Administration (Fund #255): This fund's adopted budget includes a fund balance transfer of \$500,000 to the General Fund.

Sewer Service Enterprise (Fund #260): Almost three-fourths of the spending for this fund is determined by the Metropolitan Council Environmental Services (MCES) charges and debt service for construction programs under federal and state mandates. The program of long-term financing for residential upgrade of sanitary sewer connections continues for 2006. This fund includes the continuation of the repayment of water pollution abatement bonds financed by the general obligation debt service fund in the 1970s and 1980s. Additionally, the adopted budget includes increases in Storm Sewer System Charges (1.5%) and Sanitary Sewer Rates (1.5%) to offset increasing costs.

License and Permit Special Fund (Fund #320): The adopted budget continues the same level of services as the 2005 budget. The number of FTEs remains the same as in 2004 and 2005. Additionally, \$1 million in fund balance is transferred to the General Fund to support planning and development-related costs incurred in Public Works traffic engineering and Fire Inspections.

Parks and Recreation Special Services Enterprise (Fund #325): Adopted spending decreases by \$446,550, primarily due to the \$400,568 shifting of the S'more Fun activity to Fund 391. The fund includes anticipated debt service payments for the pending sale of Highland 18 golf course revenue bonds. The fund is primarily supported with golf course revenues.

Rice and Arlington Sports Dome (Fund #326): Spending and Financing for this fund have been deleted for 2006 because the dome bonds were refunded in the 2005 bond sale for the Highland 18 golf course.

Parks and Recreation Street Tree Maintenance (Fund #375): This fund increased by \$127,078. The increase is partially due to the addition of money for tree stump removal, which would be paid for by directly assessing homeowners for ½ the cost, and the other half would come from citywide right-of-way assessment transfers from Public Works Fund #225. In addition, the City Council added \$113,734 for deferred maintenance, using fund balance as the financing source.

Parks and Recreation Como Campus (Fund #380): Spending increased by \$639,071. This is primarily due to annualizing costs for the Visitor's Center and Tropical Encounters exhibit opening. FTEs increase for facility operation and the provision of educational programs to schools.

Parks and Recreation Special Recreation Fund (Fund #391): Spending increased by \$719,885. This is primarily due to the shift of the S'More Fun activity from Fund 325.

Police Services (Fund #400): This fund was created to track the receipt and use of the Police Public Employee Retirement Association (PERA) pension assets returned to the City under 1999 State legislation. The 2006 budget reflects year seven of a ten-year spending plan. Costs associated with direct police services, including the compensation for police officers and some overtime, are planned for in the 2006 budget.

Police Impounding Lot (Fund #435): This fund tracks the fiscal experience related to the towing and reclaiming of all towed or abandoned vehicles left on city streets. Some vehicles are sold at auction and some are reclaimed by their owners once the owner pays the appropriate fine. For 2006, fees at the Police Impound Lot will be raised by \$25 per instance, raising \$325,000.

Police Special Projects (Fund #436): This fund's adopted budget reflects an increase in spending due to expectations on turnover of grants. Several grants expire in 2006 that were received in 2005, including the Value Based Initiative grant, the NIBRS Project grant, and the Juvenile Accountability grant. Spending also fluctuates due to the unpredictability of some grants, including the Homeland Security Program grants and the Urban Based Initiatives grant. New grants for 2006 include: COPS MORE, Law Enforcement Terrorism grants, the Buffer Zone grant, ARE grant, funding for Secure Our Schools, and the Human Trafficking grant. Spending in this fund also increases to reflect the shift of some costs from the general fund, and the use of special funds' fund balances in 2006.

Equipment Services Fire-Police (Fund #505): This fund's adopted budget includes a fund balance transfer of \$200,000 to the General Fund.

Firefighting Equipment Trust (Fund #735): The 2006 budget essentially maintains the funding level of 2005. In the past, the department's equipment replacement plan typically shows the replacement of one major piece of equipment every other year. With some added funding from the general fund beginning in 2005 and carried forward into 2006, the number of replacements should go up and the age of the fleet will begin to decrease.

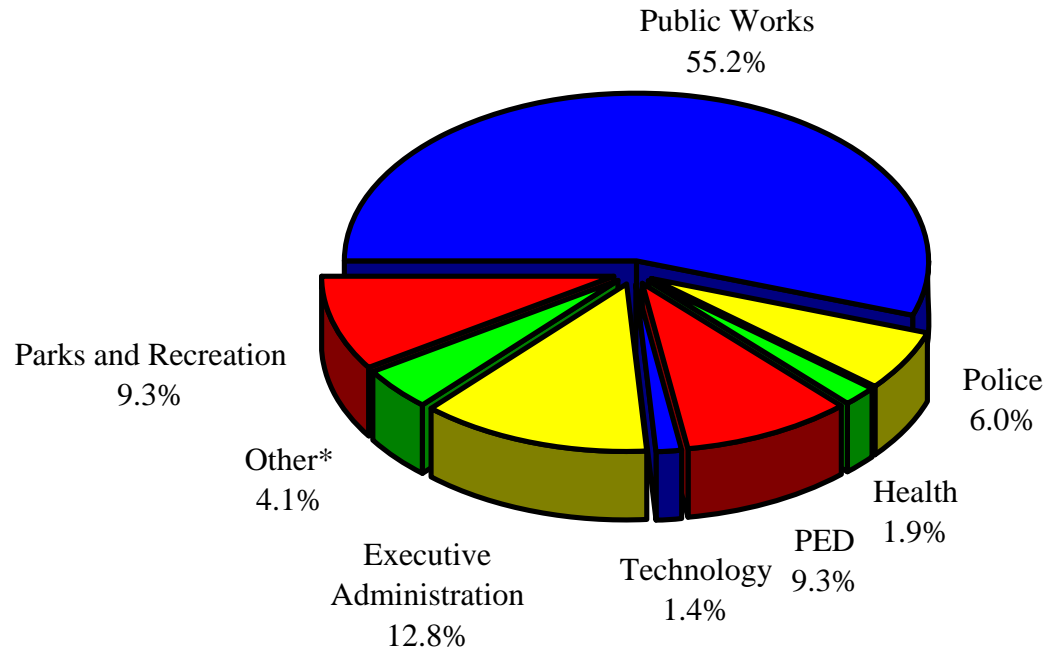
Special Fund Budgets

Special Fund Spending (By Department)			
Department	2004 Actual	2005 Adopted Budget	2006 Adopted Budget
Attorney	841,095	971,928	1,042,110
Citizen Services	0	0	0
City Council	65,161	62,005	94,499
Financial Services Office	12,203,567	13,216,676	13,159,096
Fire and Safety Services	2,770,592	3,864,764	7,053,674
StP-RC Health	3,831,616	3,997,722	4,095,050
Human Resources	0	50,000	1,862,742
Human Rights	89,512	79,119	67,944
License, Inspection, and Environmental Protection	9,636,967	10,399,339	11,846,479
Mayor's Office	351,021	623,730	643,589
Neighborhood Housing & Property Improvement	529,848	821,010	772,008
Parks and Recreation	16,529,343	19,172,278	20,195,335
Planning and Economic Development	19,773,300	20,829,468	20,121,419
Police	9,516,381	11,888,177	12,942,113
Public Works	95,860,012	118,264,162	119,258,933
Office of Technology	<u>6,967,945</u>	<u>4,329,307</u>	<u>3,084,449</u>
Total	178,966,360	208,569,685	216,239,440

Special fund budgets are designed to track revenues and expenditures for specific designated purposes. With some exceptions, special fund budgets are not supported by property taxes. Rather, special fund spending is supported by user fees, assessments, and grants, which are generally restricted in some way. The restrictions require accounting in separate funds, which include operating funds, project funds, debt service funds, and trust funds.

Special Fund Budgets

2006 Adopted Budget



* Other includes City Attorney, City Council, Neighborhood Housing and Property Improvement, and Fire.

Special Fund Budgets

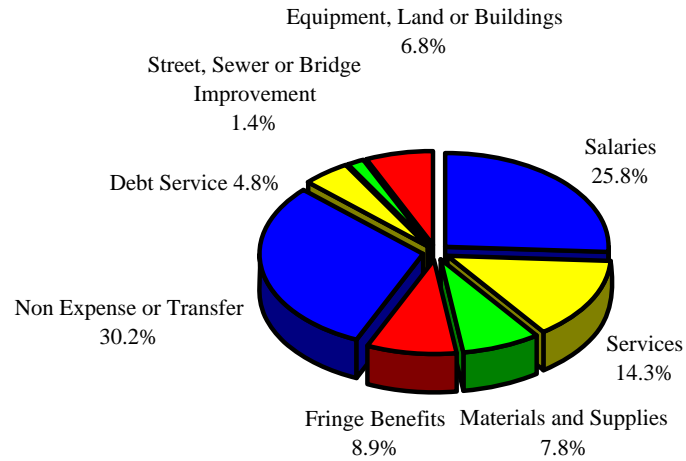
Special Fund Spending (By Major Object)			
Object	2004 Actual	2005 Adopted Budget	2006 Adopted Budget
Salaries	47,776,137	54,470,131	55,871,327
Services	30,240,240	31,609,177	30,937,548
Materials and Supplies	13,559,749	15,869,367	16,796,270
Fringe Benefits	16,136,791	18,052,578	19,135,440
Transfers and Miscellaneous	54,750,968	62,592,409	65,372,726
Debt Service	9,472,567	9,959,168	10,406,060
Street, Sewer or Bridge Improvement	2,717,208	3,175,089	3,078,600
Capital Outlay	4,312,700	12,841,766	14,641,469
Total	<u>178,966,360</u>	<u>208,569,685</u>	<u>216,239,440</u>

Special Fund Financing (Revenue By Source)			
Source	2004 Actual	2005 Adopted Budget	2006 Proposed Budget
Use of Fund Balance	0	12,179,067	15,062,499
Transfers	11,979,796	11,363,629	11,552,669
Hotel and Motel Taxes	1,992,638	1,773,700	2,334,380
License and Permits	11,102,618	10,045,459	10,311,718
Intergovernmental Revenue	19,561,682	25,872,467	27,305,396
Fees, Sales and Services	94,495,182	100,008,435	100,876,289
Enterprise and Franchise Revenue	7,870,394	11,978,665	12,096,603
Assessments and Other Revenue Sources	33,653,655	35,348,263	36,699,886
Total	<u>180,655,965</u>	<u>208,569,685</u>	<u>216,239,440</u>

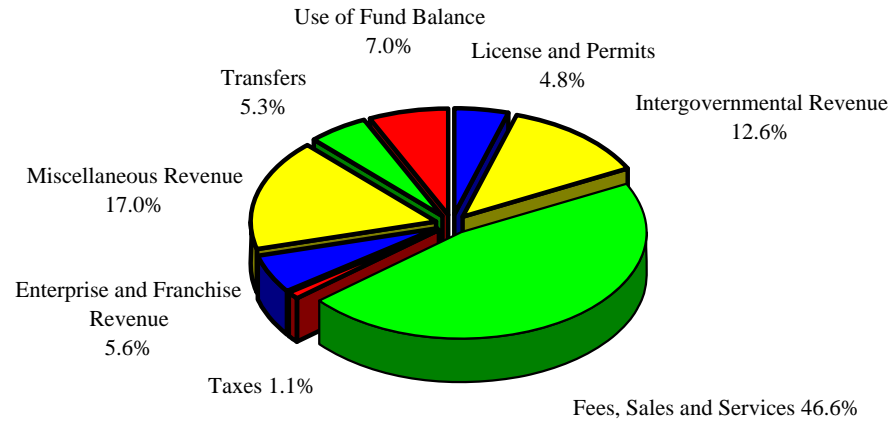
Special fund budgets are designed to track revenues and expenditures for specific designated purposes. With some exceptions, special fund budgets are not supported by property taxes. Rather, special fund spending is supported by user fees, assessments, and grants, which are generally restricted in some way. The restrictions require accounting in separate funds, which include operating funds, project funds, debt service funds, and trust funds.

Special Fund Budgets

2006 Spending By Major Object



2006 Revenue By Source





Debt Service

General Obligation Debt Service Funds Budget

Debt Service Spending (By Major Object)			
	2004	2005	2006
Object	Actual	Adopted Budget	Adopted Budget
Salaries	150,896	131,302	137,302
Services	34,213	81,982	81,982
Fringe Benefits	49,897	40,372	42,089
Other	1,816,472	433,780	786,793
Debt Service	33,505,353	54,019,200	56,294,769
Equipment, Land, and Buildings	<u>0</u>	<u>0</u>	<u>0</u>
Total	35,556,831	54,706,636	57,342,935

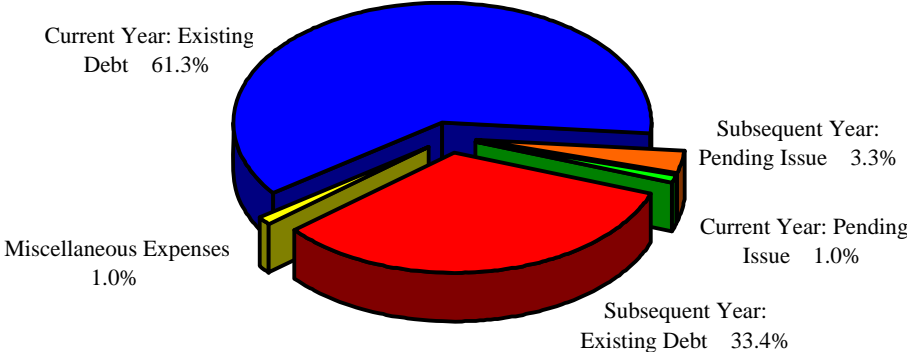
Debt Service Financing (Revenue By Source)			
	2004	2005	2006
Source	Actual	Adopted Budget	Adopted Budget
Use of (Contribution to) Fund Balance	1,785,945	23,026,279	27,343,326
Transfers	11,557,118	13,238,587	11,233,636
Taxes	9,592,085	6,271,783	6,246,510
Licenses and Permits	0	0	0
Intergovernmental Revenue	675,357	426,038	376,311
Fees, Sales and Services	0	0	0
Enterprise and Utility Revenue	1,030,475	880,000	880,000
Other Revenue Sources	<u>10,915,851</u>	<u>10,863,849</u>	<u>11,263,152</u>
Total	35,556,831	54,706,536	57,342,935

The city's general debt service budget provides for the principal and interest payments on its general obligation bond issues. The budget consists of two sets of appropriations: 1) an amount needed to meet the budget year debt service obligations, and 2) an amount needed to meet the obligations of the first half of the following year. Therefore, the amount appropriated for general debt service exceeds the amount actually spent in the budget year. This additional amount remains in fund balance to use as a financing source for the subsequent year's debt service payments. While complicated, this budget structure solves a cash flow problem for the city. The city receives state aids and property taxes mid-year and at the end of the year. If the city did not budget for subsequent year debt service payments, it would lack the cash to make the debt service payments due before the city receives its major cash infusions each year.

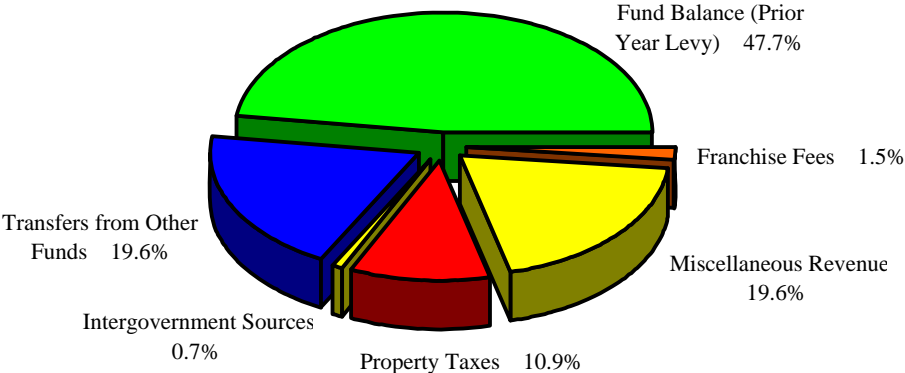
The total 2006 debt service budget is \$57,342,935. \$36,357,421 is for debt service obligations in 2006 (the budget year), and \$20,985,514 is debt service obligations in the first half of 2007 (the subsequent year).

General Obligation Debt Service Funds Budget

2006 Spending by Major Category



2006 Financing by Major Source



General Obligation Debt

Allocation of Revenue to Type of Debt as of December 31, 2004								
	Property Tax Levy	Water and Sewer Charges	Assessments	Tax Increments	Parking Revenue	Other Sources	Self Supporting Total	Total
Capital Improvements	102,000,000					3,815,000	** 3,815,000	105,815,000
Library Bonds	12,280,000						-	12,280,000
Street Improvements			23,175,000				23,175,000	23,175,000
Tax Increment:							-	-
Riverfront Development				8,550,000			8,550,000	8,550,000
Midway Marketplace				5,240,000			5,240,000	5,240,000
Block 39 Project				15,885,000	21,255,000		37,140,000	37,140,000
Koch Mobil				3,950,000			3,950,000	3,950,000
Water Pollution Abatement		380,000					380,000	380,000
Sewer Bonds		3,675,000					3,675,000	3,675,000
Sewer Loan (PFA *)		16,708,614					16,708,614	16,708,614
Water Loan (PFA*)		2,946,242					2,946,242	2,946,242
TOTAL	114,280,000	23,709,856	23,175,000	33,625,000	21,255,000	3,815,000	105,579,856	219,859,856
Percent of Total	52.0%	10.8%	10.5%	15.3%	9.7%	1.7%	48.0%	100.0%

* PFA is the Public Facilities Authority.

** Other Sources are Gross Earnings Franchise Fees.

General Obligation Debt Service

To prepare financing plans and pay the annual principal and interest on the City's general obligation debt.

About General Obligation Debt Service

What We Do (Description of Services)

- Sell City debt instruments at the lowest borrowing cost.
- Ensure that principal and interest is paid accurately and on time.
- Identify and implement various debt financing alternatives for the City of Saint Paul.

Statistical Profile

- City Bond Ratings: AAA (Standard & Poor's) and Aa2, with a positive outlook (Moody's).
- Maximize returns on the City's portfolio, subject to the City's investment policy.

2004-2005 Accomplishments

- Developed balanced operating, capital and debt budgets for 2005 and 2006.
- Maintained the City's AAA (Standard & Poor's) and Aa2 (Moody's) bond ratings, with Moody's upgrading the outlook to positive.
- Developed a capital lease financing program for ongoing replacement of parks and public safety equipment.
- Issued the City's Capital Improvement bonds at an all-time low interest rate of 2.52% in 2004, and 3.54% in 2005.
- Adjusted the structure of the 2005 Capital Improvement bonds to pay principal semi-annually to better match property tax cash flows.
- Executed the City's first ever variable-to-fixed interest rate swap to provide interest saving for the City's 1999 Sales Tax Revenue Bonds.

Debt Service Key Performance Measures

Performance Objective: Preserve the City's AAA and Aa2 bond ratings by promoting prudent financial, spending and reserve policies.				
Performance Indicator: Bond rating outcomes				
MEASURES: EFFECTIVENESS	2003	2004	2005	2006
	Actual	Actual	Actual	Projected
Moody's	Aa2	Aa2	Aa2	Aa2
Standard and Poor	AAA	AAA	AAA	AAA

Performance Objective: Observe prudent budget and financial management policies to maintain fund balance within an acceptable range.				
Performance Indicator: Fund balance as a percent of the next year's General Fund expenditures (2003-2005) and combined next year's General Fund and selected Library Agency expenditures (2006) -- Budget is planned fund balance in the adopted budget and Actual is actual fund balance at year-end.				
MEASURES: EFFECTIVENESS	2003	2004	2005	2006
	Actual	Actual	Estimated	Projected
Budget	19.0%	23.1%	20.2%	15.0%
Actual	23.36%	24.50%	21.37%	--

Performance Objective: Ensure the integrity of citywide financial practices				
Performance Indicator: Receive an unqualified opinion from the State Auditor, which means that there are no significant audit findings.				
MEASURES: EFFECTIVENESS	2003	2004	2005	2006
	Actual	Actual	Estimated	Projected
Unqualified state auditor opinion	Yes	Yes	Yes	Yes

Performance Objective: Maximize returns on the city's portfolio, subject to the city's investment policy.				
Performance Indicator: Average yield on city cash portfolio.				
MEASURES: EFFECTIVENESS	2003	2004	2005	2006
	Actual	Actual	Estimated	Projected
Benchmark	3.99	3.25	4.00	4.50
Actual	4.31	4.04	-	-

Debt Service

Department/Office Director: **MATTHEW G SMITH**

	2003 2nd Prior Exp. & Enc.	2004 Last Year Exp. & Enc.	2005 Adopted	2006 Mayor's Proposed	2006 Council Adopted	Change from Mayor's Proposed	2005 Adopted
<u>Spending By Unit</u>							
960 GENERAL DEBT SERVICE FUND	27,912,707	26,166,836	40,244,438	39,732,344	39,685,792	-46,552	-558,646
961 CITY REV BONDS, LONG TERM DEBT	8,312,125	9,795,360	7,172,768	7,671,813	8,171,813	500,000	999,045
963 G.O. SPEC ASSM DEBT SERV FUND	2,802,566	3,264,953	6,111,334	8,074,195	8,074,195		1,962,861
967 CITY REVENUE NOTES DEBT SERVICE	705,837	888,200	1,177,996	1,411,135	1,411,135		233,139
Total Spending by Unit	39,733,235	40,115,349	54,706,536	56,889,487	57,342,935	453,448	2,636,399
<u>Spending By Major Object</u>							
SALARIES	139,957	150,896	131,202	137,302	137,302		6,100
SERVICES	14,947	34,213	81,982	81,982	81,982		
MATERIALS AND SUPPLIES	6,085	6,270	6,793	6,793	6,793		
EMPLOYER FRINGE BENEFITS	44,931	49,897	40,372	43,641	42,089	-1,552	1,717
MISC TRANSFER CONTINGENCY ETC	1,408,057	1,799,713	426,987	280,000	780,000	500,000	353,013
DEBT	33,526,886	33,519,015	54,019,200	56,339,769	56,294,769	-45,000	2,275,569
STREET SEWER BRIDGE ETC IMPROVEMENT	1,442,372	1,257,533					
EQUIPMENT LAND AND BUILDINGS							
Total Spending by Object	36,583,235	36,817,537	54,706,536	56,889,487	57,342,935	453,448	2,636,399
Percent Change from Previous Year		0.6%	48.6%	4.0%	0.8%	0.8%	4.8%
<u>Financing By Major Object</u>							
GENERAL FUND							
SPECIAL FUND							
TAXES	18,411,855	10,622,561	7,151,783	7,126,510	7,126,510		-25,273
LICENSES AND PERMITS							
INTERGOVERNMENTAL REVENUE	1,334,090	675,358	426,038	376,311	376,311		-49,727
FEES, SALES AND SERVICES	15,000						
ENTERPRISE AND UTILITY REVENUES	114,660	114,660					
MISCELLANEOUS REVENUE	13,816,682	14,103,070	10,863,849	11,263,152	11,263,152		399,303
TRANSFERS	11,445,160	12,786,436	13,238,587	11,233,636	11,233,636		-2,004,951
FUND BALANCES			23,026,279	26,889,878	27,343,326		4,317,047
Total Financing by Object	45,137,447	38,302,085	54,706,536	56,889,487	57,342,935	453,448	2,636,399
Percent Change from Previous Year		-15.1%	42.8%	4.0%	0.8%	0.8%	4.8%

2006 Budget Plan

2006 Priorities

- Maintain or improve the City's Aa2 (Moody's) and AAA (Standard & Poor's) ratings assigned to the City's general obligation debt.
- Strengthen the organizational understanding of the best uses of the general obligation bonding authority.
- Provide alternate debt financing plans through recommendations for both current and future bond issues. Alternatives to the use of tax levy as financing for general obligation debt of the City will continue to be explored and recommended where prudent. Review proposals in search of the solutions that serve the City in the long-term, ever mindful of the short-term needs.
- File continuing disclosure requirements electronically through use of Central Post Office.
- Work to establish a policy addressing levels of fund balance and use of fund balance as a budget financing source.

2006 Budget Explanation

Base Adjustments

The 2005 adopted budget was adjusted to set the budget base for 2006. The base includes the anticipated growth in salaries and fringes for 2006 for employees related to the bargaining process. It also includes 2% inflation growth applied to utility object codes.

Mayor Recommendations

- The 2006 proposed spending in the General Debt Service Fund (fund 960) is \$39,732,344, a decrease of \$512,094 compared to 2005. The 2006 budget proposes issuing \$11,000,000 of capital improvement bonds (CIB) in 2006, and assumes an estimated interest cost of 5% for the bonds in 2006. The \$8,000,000 reduction of CIB bonding is a result of moving the RSVP portion of the bond sale to the General Obligation Special Assessment Debt Service Fund (fund 963). The financing plan has not changed significantly. The only material change is the use of a larger amount of fund balance to fund debt service. The 2003 and 2004 amounts reflect only the amount actually spent and do not reflect the subsequent year debt that is budgeted in 2005 and 2006.

2006 Budget Explanation (Continued)

- Spending for the City Revenue Bonds Long-term Debt fund (fund 961), increased by \$499,045 for 2006. This fund is financed with facility lease payments, Minnesota Wild hockey team revenues (payments in lieu of taxes) and ½¢ sales tax. These bonds are secured by sales tax revenues. The \$499,045 increase is due to a \$250,000 increase in the state loan repayment and a \$249,045 increase in debt service due on the arena bonds. This is financed by \$373,983 in payments in lieu of taxes, and \$126,017 in use of fund balance.
- Spending for General Obligation Special Assessment Debt Service (fund 963) increased by \$1,962,861 in 2006 compared to 2005. This increase is due to the proposed issuance of bonds in the amount of \$12,500,000 in 2006 to provide funding for the City's RSVP program and for its subsequent year budget, and a \$994,207 increase in the fund's subsequent year budget requirement. The 2003 and 2004 amounts reflect only the amount actually spent and do not reflect the subsequent year debt that is included in the 2005 and 2006 budgets.
- For funds 960 and 963, the budget includes appropriations for both the amount needed to meet the debt service obligations in the budget year (2006), and an amount needed to meet the obligations of the first half of the following year (the subsequent year, 2007). Therefore, the amount appropriated in the budget exceeds the amount actually spent in the budget year. This additional budgeted amount is not spent in the budget year and remains in fund balance at year end to use as a financing source for the subsequent year's debt service payments. While complicated, this budget structure solves a cash flow problem for the city. If this practice was not employed, the city would lack the cash to make the debt service payments due before receiving its major cash infusions each year.
- City Revenue Note Debt (fund 967) provides funds for a Science Museum note, which is paid by cultural sales tax (STAR) monies; the people connection, which is funded by contributions from the Convention & Visitors Bureau, the RiverCentre Authority and hotel tax receipts; and two police vehicle leases, funded by the general fund.

2006 Budget Plan (continued)

2006 Budget Explanation (continued)

Council Actions

The City Council adopted the Debt Service budget and recommendations as proposed by the Mayor, and approved the following changes:

- revised the interest rate expected for the 2006 bond sale and adjusted the planned debt service for interest and principal accordingly,
- substituted a \$500,000 surety bond as security for the RiverCentre Arena Bonds, releasing \$500,000 of reserve from the RiverCentre Debt Service Escrow to the RiverCentre, and
- decreased the budget for fringe benefits based on the revised estimate of retiree insurance costs.

The 2006 adopted budget is \$39,685,792 for the general debt service fund, and \$17,657,143 in the other debt funds.

Property Taxes and Revenues

Factors Affecting Your City Property Tax Bill

The four most important factors affecting how much a property owner pays in city property taxes are:

- amount of city spending;
- availability of revenues other than property taxes;
- size of the tax base; and
- composition of the tax base

The first two factors, spending and other revenues, affect the total tax dollars that must be levied. The remaining two factors determine the tax levy's distribution among all property tax payers.

City Spending:

The first factor affecting city property tax levels is city spending. It is the only factor that the mayor and city council directly control. Saint Paul must maintain a balanced budget, so all proposed spending must be covered with a financing source. If city spending were the only factor affecting taxes, tax rates would mirror spending exactly.

Other Revenues:

City reliance on property taxes depends on other revenues available to the city. The other dominant revenues are state aids, such as Local Government Aid (LGA), utility fees collected for the use of the city streets and by-ways, transfers from other city funds, collections of motor vehicle-related fines, and interest earnings from cash balances. After three years of significant decreases, the state increased the City's LGA, from \$53.2 million to \$59.5 million. LGA is the City's largest general fund revenue source and an important factor in Saint Paul's ability to control property taxes.

Size of the Property Tax Base:

The tax base size can be measured as the sum of the market value of all taxable properties. Yearly changes in market values are attributable to many factors, the most important of which are demand for residential property and mortgage interest rates, and business property lease and occupancy rates. The larger the base, the broader the distribution of the tax burden and the lower the tax rate required.

Composition of the Tax Base:

The composition of the base affects the relative share of the tax levy. The taxable property value, or tax capacity, is not the same on different classes of property. Minnesota's class rate system allocates differing shares of tax burden based on the use of the property. Apartments, residential homes, and commercial/industrial properties have different taxable value (tax capacity). One dollar of commercial/industrial property has a greater tax capacity than one dollar of residential property, due to the class rate structure.

Taxable Market Value

Payable in 2003	\$ 12,644,215,800
Payable in 2004	\$ 14,214,708,900
Payable in 2005	\$ 16,403,703,100
Payable in 2006	\$ 18,567,000,100

Net Tax Capacity

Payable in 2003	\$ 160,526,186
Payable in 2004	\$ 176,760,767
Payable in 2005	\$ 201,059,389
Payable in 2006	\$ 225,841,494

Since 2001, when the legislature made significant adjustments to the class rates for payable 2002 taxes and subsequent years, class rates have stabilized. The creation of a new class for low-income rental property is the only significant change for 2006. The payable 2006 class rates are compared to the payable 2005 rates below.

Property Class Rates **

	Pay 2005	Pay 2006
Homestead Residential \$0-\$76,000 EMV	1.00%	1.00%
Homestead Residential \$76,000-\$500,000 EMV	1.00%	1.00%
Homestead Residential over \$500,000 EMV	1.25%	1.25%
Non-Homestead Resid. low-income	N/A	0.75%
Non-Homestead Resid. single unit up to \$500,000	1.00%	1.00%
Non-Homestead Resid. single unit over \$500,000	1.25%	1.25%
Non-Homestead Residential 2 or 3 units	1.25%	1.25%
Non-Homestead Residential 4 or more units	1.25%	1.25%
Commercial/Industrial < \$150,000	1.50%	1.50%
Commercial/Industrial > \$150,000	2.00%	2.00%

EMV: estimated market value

** Class rate percentages are applied to the Estimated Market Values of property to reach Taxable Values. The tax rate (formerly mill rate) is applied against the taxable values to determine the gross payable tax.

If the total value in one property class grows faster than the other classes, those property owners' tax share increases.

2006 Adopted Budget and Levy

The 2006 adopted City levy is \$65.85 million, a \$1.92 million increase over 2005's \$63.93 million levy. This results in a 3% increase in the total city property tax levied in Saint Paul.

Of the proposed \$65.85 million levy, \$47.26 million is for city operations, \$6.65 million is for debt service, and \$1.31 million is levied on the Port Authority's behalf. The remaining \$10.63 million levy is for the St. Paul Public Library Agency's operations and debt service. This levy reflects a shift of levy from City operations and debt service to the independent Library Agency.

Tax Dollars and the Services They Buy

Taxpayers often wonder what happens to the property taxes they pay. Here is an example for a typical home in Saint Paul in 2006:

The property tax bill is a combined statement covering the City of Saint Paul, School District 625, Ramsey County, and other "special taxing districts" such as the Metropolitan Council and local watershed districts. In 2006, a home with a taxable value of \$152,000 will have an estimated total property tax bill of \$1,577.

Of the total property tax bill, the single largest share goes to the county and then to the school district. The City receives about 25.6% of the total tax payment – \$403 in this example.

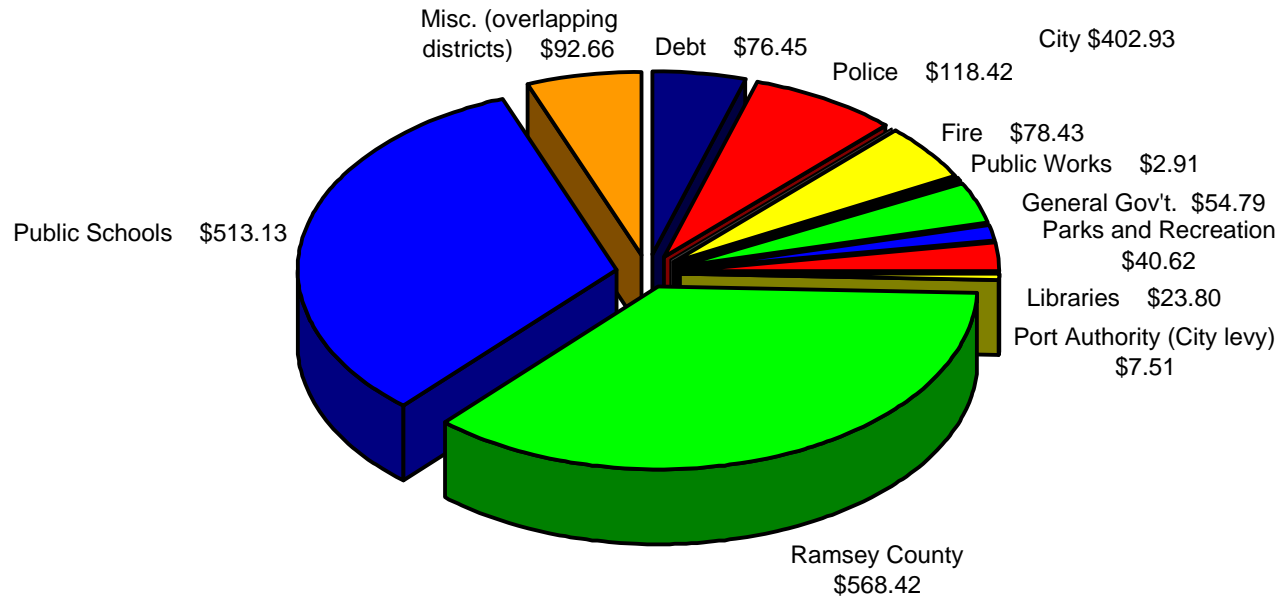
The property tax payment to the City of Saint Paul helps pay a share of the operating costs of city government. For the typical home in this example, the property tax payment would break down to the following amounts:

- \$126 per year for police services
- \$84 per year for fire and emergency medical services
- \$44 per year to operate and maintain the park and recreation system
- \$26 per year to operate and buy materials for the Saint Paul Public Libraries
- \$54 per year for capital debt service--the cost of building new libraries, recreation centers and playgrounds, and street construction
- \$69 per year for all other general government functions

Property taxes cover only a small part of the total cost of services. In total property taxes supply only about 13% of the City's total revenue and cover approximately 31% of the general fund budget. In comparison, the City's total adopted 2006 property tax levy for all purposes-- about \$66 million-- is less than the total adopted operating budget of the Police Department alone.

Estimated 2006 Saint Paul Property Taxes

2006 TNT Tax Rates Applied to a Typical Home Valued at \$152,000



City	25.6%
County	36.0%
Schools	32.5%
Other	5.9%
	<hr/>
	100%