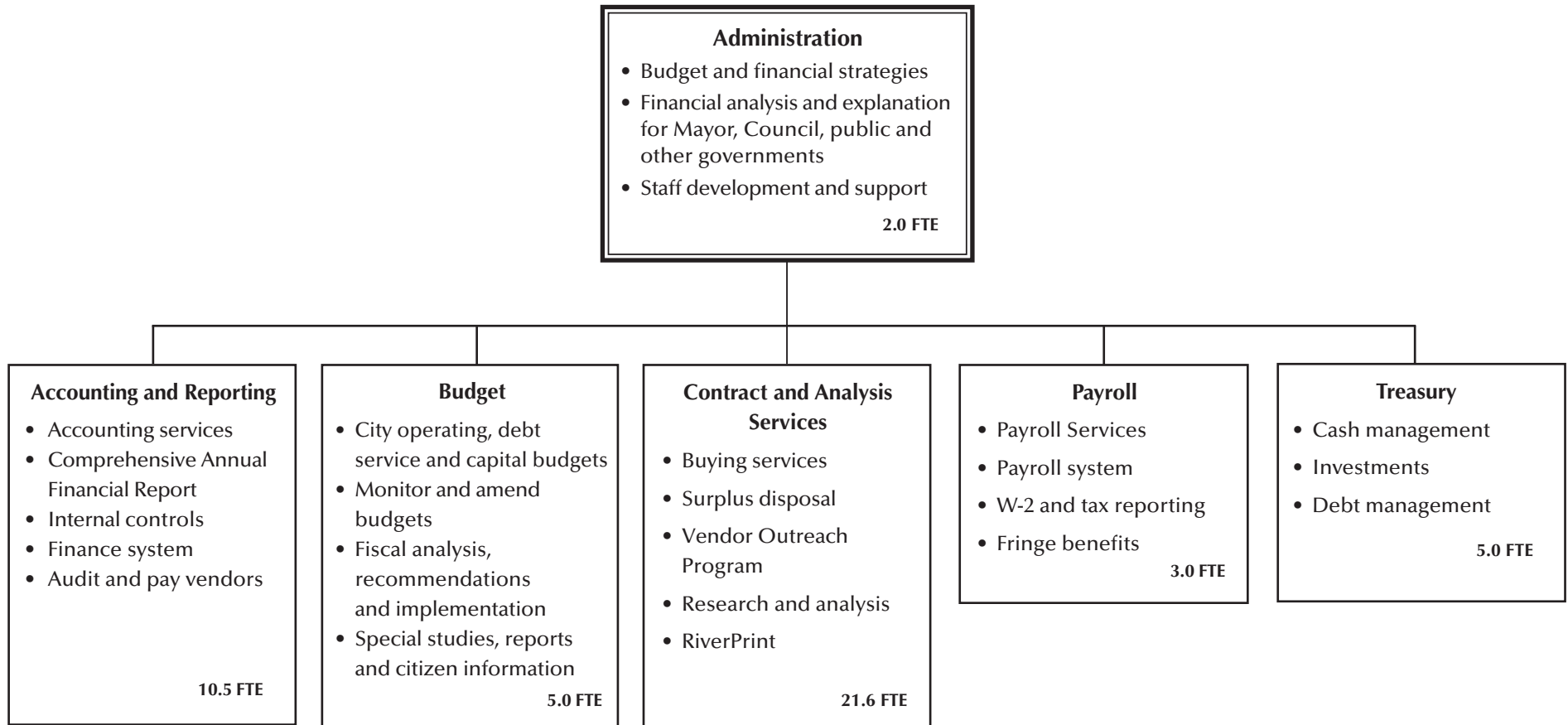


Financial Services

Manage the City's financial resources and assets to ensure taxpayers' confidence, the organization's effectiveness and the City's fiscal integrity.



(Total 47.1 FTEs)

About the Office of Financial Services

What We Do (Description of Services)

OFS plays a vital role in supporting the city's operations. During the year, OFS staff:

- Manage more than \$75 million in cash balances, investing them to earn a competitive rate of return, while guaranteeing the city can meet its cash needs.
- Ensure all financial transactions and accounting practices conform to generally accepted accounting principles, state law and city administrative code and policies.
- Ensure that 3,400 hardworking city employees receive their pay and benefits accurately and on time.
- Pay \$207 million annually to vendors who provide the city with goods and services, within 35 days of notice.
- Get the best price on over \$92 million worth of contracts for construction, goods and services.
- Sell city debt instruments at the lowest borrowing cost.
- Develop and implement balanced, financially-sound annual budgets.
- Provide competitive printing and mail preparation services.

Statistical Profile

- City bond ratings: AAA and Aa2
- City tax rate has fallen by 25.4% from 2002-2006.
- General Fund balance as percent of 2006 budget: 16.3%
- Percent of payroll checks issued on time without errors: 99.9%
- Percent of vendor checks paid within 35 days of invoice date: 90%
- 2005 General Fund actual-to-budget spending as percentage of budget: 97.8%
- 2005 General Fund actual-to-budget revenues as percentage of budget: 99.2%

2005-2006 Accomplishments

We're proud of the following 2005 and 2006 accomplishments:

- Received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Reporting.
- Maintained the city's AAA (Standard & Poor's) and Aa2 (Moody's) bond ratings.
- Developed and implemented balanced 2005 and 2006 operating, capital and debt budgets for the city.
- Implemented online access of gross payroll, check and labor registers. Because departments review and print their own reports, staff time is saved by eliminating distribution. Central payroll prints 1,600 fewer pages biweekly.
- Transferred payment of employee mileage reimbursement to the payroll system, reducing complex year-end processing and eliminating issuance of 3,000 vendor checks per year.
- Completed an RFP for new CAD and 800 MHz systems.
- Implemented online e-procurement/surplus auction system.
- Developed contracts for the new Rondo Library—a unique public/private collaboration.
- Implemented GASB 40—Deposit and Investment Risk Disclosures, and GASB 42—Impairment of Capital Assets and Insurance Recoveries.
- Developed and adopted General Fund and General Debt Service Fund policies.
- Worked collaboratively with Ramsey County and Saint Paul Public Schools to share information and contract for an actuarial valuation of the city's retiree health insurance liability.
- Maintained \$10 million in the City of Saint Paul's Socially Responsible Investment Fund.
- Awarded new merchant services contract with more than 50% savings in bank fees.
- Implemented electronic check service at several city locations, improving funds availability.
- Developed a Cash Handling Manual and hosted training sessions for cash handlers.
- Executed the city's first Interest Rate Swap agreement.

Key Performance Measures

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—planned in the adopted budget and actual at year end.

MEASURES:	2004 Actual	2005 Actual	2006 Estimated	2007 Projected*
Budget	23.1%	20.2%	16.3%	16.2%
Actual	24.5%	21.4%	----	-----

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:	2004 Actual	2005 Actual	2006 Estimated	2007 Projected
Moody's	Aa2	Aa2	Aa2	Aa2
Standard & Poor's	AAA	AAA	AAA	AAA

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:	2004 Actual	2005 Actual	2006 Estimated	2007 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:	2004 Actual	2005 Actual	2006 Estimated	2007 Projected
Benchmark	3.99	3.25	4.50	5.25
Actual	4.31	4.04	-----	-----

Performance Objective: City contracting reflects a representative share for women-owned, minority-owned and small business vendors

Performance Indicator: City contracts awarded to women-owned, minority-owned and small business vendors

MEASURES:	2004 Actual	2005 Actual	2006 Estimated	2007 Projected
Total Dollars to Certified Vendors	8,987,660	16,313,420	16,000,000	17,925,000
Utilization of City Total	9.00%	14.03%	16.00%	17.00%

* City fund balance policy, adopted in 2006 and refined during the 2007 budget process, requires the General Fund to maintain an unreserved fund balance of at least 15% of adopted spending. The fund balance represented above is both reserved *and* unreserved fund balance as a percentage of adopted General Fund spending for 2007. Beginning with the 2008 Proposed budget, the measure above will use only *unreserved* fund balance.

Financial Services Office

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

	2004 2nd Prior Exp. & Enc.	2005 Last Year Exp. & Enc.	2006 Adopted	2007 Mayor's Proposed	2007 Council Adopted	Change from Mayor's Proposed	2006 Adopted
<u>Spending By Unit</u>							
001 GENERAL FUND	1,849,559	1,822,359	1,873,159	1,932,082	1,932,082		58,923
050 SPECIAL PROJECTS:GEN GOV ACCTS FUND	6,926,483	7,042,356	7,107,891	7,331,900	7,514,870	182,970	406,979
070 INTERNAL BORROWING FUND	496,966	526,077	591,145	732,500	732,500		141,355
080 CITYWIDE MAJOR EVENTS					300,000	300,000	300,000
124 CONTRACT AND ANALYSIS SERVICES	897,828	861,091	1,024,894	1,029,954	1,329,954	300,000	305,060
127 ST PAUL/RAMSEY COUNTY PRINT CENTRAL	1,145,247	1,298,716	1,628,483	1,664,811	1,664,811		36,328
165 OFS SPECIAL PROJECTS FUND	270,182	294,153	0	0	0		
802 CPL OPERATING FUND	2,466,506	3,392,534	2,806,683	3,315,312	3,315,312		508,629
Total Spending by Unit	14,052,772	15,237,285	15,032,255	16,006,559	16,789,529	782,970	1,757,274
<u>Spending By Major Object</u>							
SALARIES	2,337,990	2,284,370	2,448,865	2,542,431	2,542,431		93,566
SERVICES	1,132,281	1,216,015	1,329,105	1,366,943	1,966,943	600,000	637,838
MATERIALS AND SUPPLIES	530,099	467,166	693,841	748,363	748,363		54,522
EMPLOYER FRINGE BENEFITS	783,614	719,120	753,627	790,411	790,411		36,784
MISC TRANSFER CONTINGENCY ETC	7,491,425	8,294,907	7,524,885	8,450,911	8,633,881	182,970	1,108,996
DEBT	496,966	526,077	566,145	707,500	707,500		141,355
STREET SEWER BRIDGE ETC IMPROVEMENT	1,275,397	1,582,190	1,555,787	1,400,000	1,400,000		-155,787
EQUIPMENT LAND AND BUILDINGS	5,000	147,441	160,000	0	0		-160,000
Total Spending by Object	14,052,772	15,237,285	15,032,255	16,006,559	16,789,529	782,970	1,757,274
Percent Change from Previous Year		8.4%	-1.3%	6.5%	4.9%	4.9%	11.7%
<u>Financing By Major Object</u>							
GENERAL FUND	1,849,559	1,822,359	1,873,159	1,932,082	1,932,082		58,923
SPECIAL FUND							
TAXES	1,992,638	1,782,238	2,334,380	1,662,380	1,755,350		-579,030
LICENSES AND PERMITS							
INTERGOVERNMENTAL REVENUE	6,016						
FEES, SALES AND SERVICES	6,888,402	7,093,685	7,347,699	7,504,621	7,864,621		516,922
ENTERPRISE AND UTILITY REVENUES							
MISCELLANEOUS REVENUE	4,373,965	4,726,374	4,221,145	4,652,812	4,652,812		431,667
TRANSFERS	21,263	183,546	116,616	206,939	326,939		210,323
FUND BALANCES			-860,744	47,725	257,725		1,118,469
Total Financing by Object	15,131,843	15,608,202	15,032,255	16,006,559	16,789,529	782,970	1,757,274
Percent Change from Previous Year		3.1%	-3.7%	6.5%	4.9%	4.9%	11.7%

2007 Budget Plan

2007 Priorities

- Begin implementation of recommendations from the Citywide Accounts Payable Process Redesign Study, completed in mid-2006. Our goal is to improve the performance and efficiency of the “procurement to payment” process across City departments. Potential benefits include better cash flow management, higher quality data and management information, increased efficiency and reduced risk of late payments and penalties.
- Implement GASB 45—Accounting and Financial Reporting for Other Post Employment Benefits (OPEB). This new accounting standard requires the City to conduct an actuarial valuation and recognize the future cost of retiree health insurance when that cost is incurred.

2007 Budget Explanation

Base Adjustments

The 2006 adopted budget was adjusted to set the budget base for 2007. The base includes the 2007 anticipated growth in salaries and fringes related to the bargaining process. It also includes 2% inflation growth on goods and services.

Mayor's Recommendation

The proposed budget continues the same level of services as the 2006 budget. The recommended 2007 General Fund budget of the Office of Financial Services (OFS) is \$1,932,082, which is \$58,923 (3%) more than the adopted 2006 budget. The department's \$10,407 spending reduction target plus inflationary increases were achieved through a \$11,027 reduction in Purchasing Services (the City's share) and shifting of other costs. The proposed budget reflects the changes indicated above, as well as a reduction in spending for bottled water and cell phone expenses.

In Special Projects Fund 050, the transfer of special funds Central Service revenue to the General Fund was increased by \$215,149. In the Internal Borrowing Fund 070, spending was increased by \$141,355 to cover spending for the West Midway Loan (\$120,000) and the Upper Landing Interfund Loan. Spending for the CPL Operating Fund 802 increased by \$656,832 to reflect the transfers to other funds for assessment revenues.

FTEs remained the same, at 47.1, including those budgeted in the debt service budget.

2007 Budget Plan (continued)

2007 Budget Explanation (continued)

Council Actions

The City Council adopted the Office of Financial Services budget and recommendations as proposed by the Mayor, and approved the following additional changes:

- Added \$300,000 in spending and financing to Fund 124 for a full Disparity Study of City and HRA contracting practices. Pursuant to US Supreme Court rulings, the City must perform a Disparity study periodically to justify its contracting program for women-owned and minority-owned businesses.
- Approved a technical change to the estimated Hotel/Motel tax revenue, increasing total spending and financing in Fund 050 by \$92,970.
- Increased spending in Fund 050 by \$90,000 to fund COPP. Spending will be financed with Fund 050 fund balance.
- Established a new fund, Fund 080, to account for spending and financing related to major events, including the 2008 Republican National Convention taking place in St. Paul. \$300,000 in initial spending and financing was authorized.