

# **City General Fund**

# General Fund – 2015 Proposed Budget

**Purpose:** The General Fund is the principal financial support for such basic 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 internal services). The major financing sources for this fund are property taxes, local government aid, franchise fees, and other general revenues. The tables and graphs on the following pages detail the General Fund's proposed 2015 spending and financing plan.

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## Financing Highlights

The major financing sources for this fund are:

- ❖ Property Taxes – 30.6% (35.0% incl Library Agency)
- ❖ Local Gov't Aid – 26.4% (24.7% incl Library Agency)
- ❖ Franchise fees – 10.9%
- ❖ Other revenues, aids, and user fees – 32.1%

**Certified Local Government Aid (LGA):** The amount of Local Government Aid has been generally lower and less predictable since state aid cuts that began in 2003. For 2014, the legislature increased LGA for the first time since 2009. While this \$10.1 million increase in LGA to Saint Paul represented a 20% increase over 2013's allotment, in 2015, LGA grows by an inflationary 2.4%. Even after these increases, LGA is still nearly \$14 million less than the amount certified in 2003, and approximately \$45 million less than the 2003 certified amount after adjusting for inflation.

**Property Tax Levy:** Financing for the proposed budget includes 2.4% increase in property tax resources. The total proposed levy is \$103.6 million. 71% of the levy 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 2015 financing increases by an inflationary amount based on steady and consistent results over the past several years.

**Paramedic Fees:** The proposed budget for 2015 is flat compared to 2014. The 2013 budget included a significant increase 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. A new Federal governmental reimbursement, which was approved during the 2013 legislative session, will provide an additional \$900,000 in paramedic revenue in 2014 and beyond.

## Budget Issues and Challenges

**Rate of Spending Growth:** Saint Paul's General Fund budget as proposed will increase by \$3.0 million, or 1.25% relative to 2014, which is less than the rate of inflation. The budget includes investments in innovation and business process improvement, maintains sworn officer complements in public safety, and strategic investments to meet increasing demand for services in the Department of Safety & Inspection. These investments are balanced by robust containment of spending growth across all departments.

**Current Service Level Adjustments:** Current service level adjustments are indicated throughout this document in the summary sections for each department. Current service level changes include adjustments in spending and revenue that maintain a department's ability to continue the same operations as the previous year. These include both inflationary adjustments, such as negotiated cost of living allowances (COLA), and adjustments that reflect historical spending patterns, such as adjustments to fringe benefits, attrition savings and evaluation of non-personnel expenses.

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**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 just over 50% 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 30% of the city's property has been exempted entirely from paying city property taxes.

**State Budget Instability and Unpredictability of LGA:** Local Government Aid is a significant revenue source for the City's General Fund, accounting for 26.4% of General Fund revenues (24.7% when combined with the Library Agency). 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 unallotted or otherwise reduced LGA by more than \$45 million over a four year period, which caused a series of budget challenges and the reduction of important City services. Recent increases approved during the 2013 and 2014 legislative sessions were a good step toward renewing a more balanced and predictable state/local fiscal relationship, which will help make local budget planning and service delivery more predictable for 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 – 82% of all General Fund spending is for personnel costs. The 2015 budget includes a significant amount of cost containment that prudently and responsibly manages costs while preserving service delivery levels.

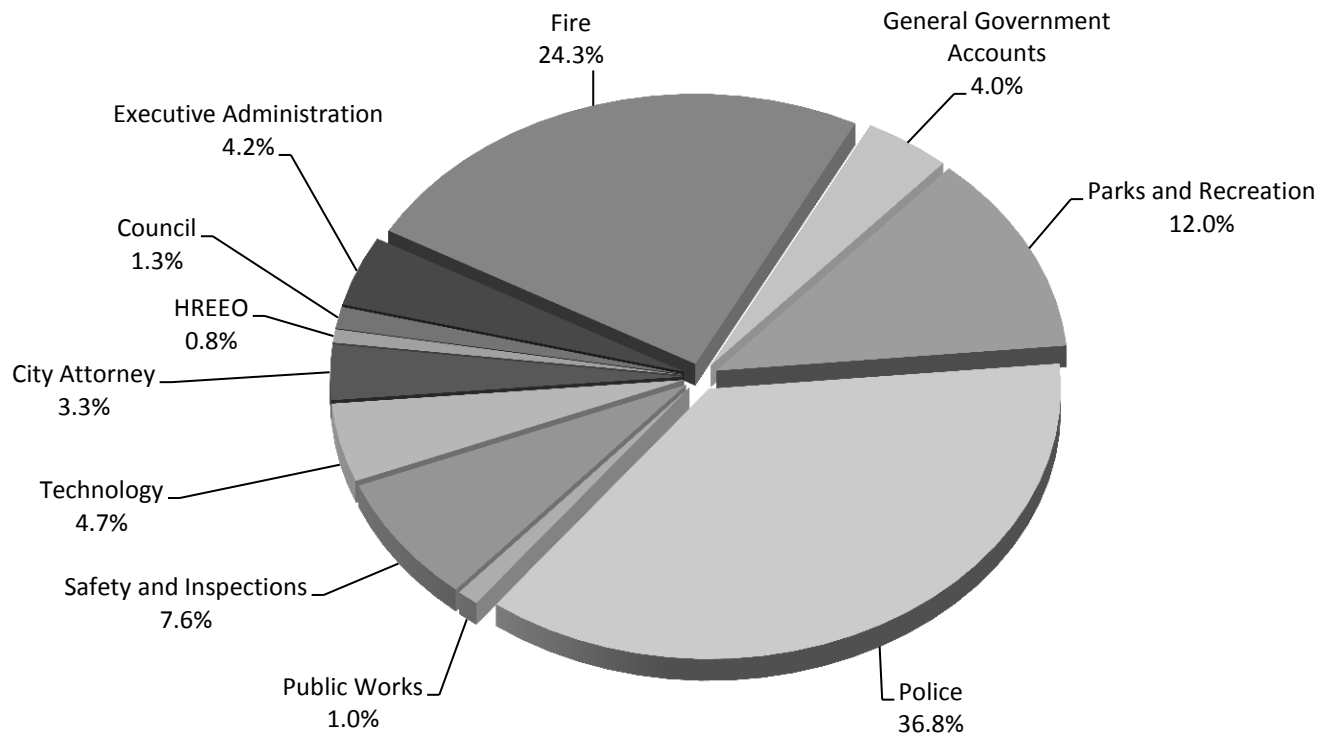
**Maintaining Adequate Financial Reserves:** From 1994 - 2005, the City spent from its General Fund balance to finance a share of the annual operating budget, which decreased the fund balance from its peak of 31% of subsequent year spending in 1998 to just under 15% in 2005. In 2006, the City enacted 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 2015 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	2013 Actual	2014 Adopted Budget	2015 Mayor's Proposed Budget
City Attorney	6,815,848	7,472,014	7,668,399
Council	2,836,710	3,066,538	3,076,661
Emergency Management	270,226	377,907	382,551
Financial Services	3,258,294	3,408,780	3,511,083
Fire and Safety Services	53,476,702	56,483,310	56,837,756
General Government Accounts	17,406,097	9,666,611	9,464,841
HREEO	2,722,872	1,812,056	1,853,547
Human Resources	3,206,994	4,298,586	4,039,161
Mayor's Office	1,307,626	1,774,902	1,822,069
Parks and Recreation	26,864,199	27,181,235	28,009,434
Police	80,811,866	84,450,262	86,068,806
Public Works	3,313,132	2,407,020	2,415,771
Safety and Inspection	15,829,494	17,573,317	17,799,343
Technology	11,668,669	11,091,247	11,071,470
Total	<u>229,788,728</u>	<u>231,063,787</u>	<u>234,020,892</u>

# General Fund Budget

## 2015 Proposed Spending by Department



## General Fund Budget

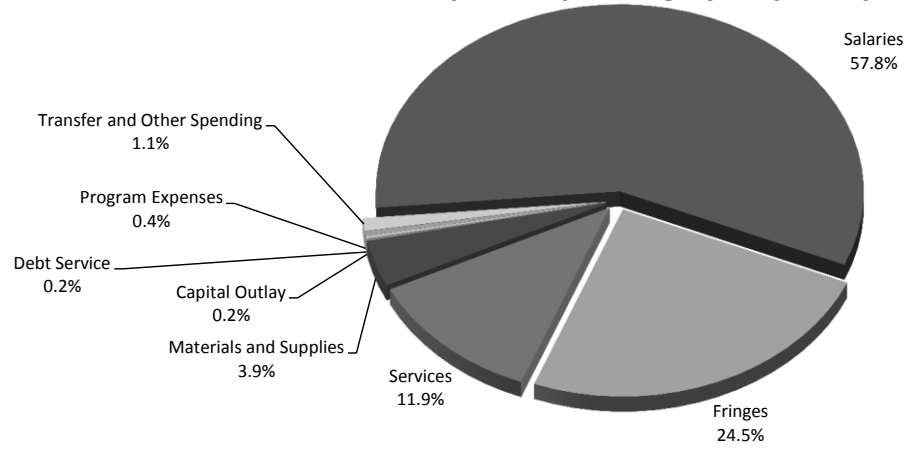
General Fund Spending (By Major Account)			
	2013 Actual	2014 Adopted Budget	2015 Mayor's Proposed Budget
Salaries	125,571,286	131,991,534	135,245,083
Fringes	50,275,577	56,073,258	57,304,517
Services	30,161,444	27,743,401	27,878,715
Materials and Supplies	10,432,256	9,451,288	9,141,122
Capital Outlay	732,913	850,672	582,580
Debt Service	37,910	538,978	430,744
Program Expenses	784,681	811,267	811,267
Transfer and Other Spending	11,792,660	3,603,389	2,626,863
Total	229,788,728	231,063,787	234,020,892

General Fund Financing (Revenue By Source)			
	2013 Actual	2014 Adopted Budget	2015 Mayor's Proposed Budget
Taxes	74,851,825	74,240,253	75,512,318
Fees, Sales and Services (a)	43,637,860	39,315,859	39,160,353
Franchise Fees	29,570,068	25,705,769	25,529,516
Fines and Forfeitures	92,983	67,000	77,000
Intergovernmental Revenue	62,915,807	71,528,114	73,343,870
Interest	(2,129,559)	2,065,033	2,065,034
License and Permits	10,796,051	10,118,205	10,418,859
Transfers and Other Financing (a)	5,861,883	8,023,554	7,913,942
Total	225,596,918	231,063,787	234,020,892

(a) Beginning with the 2013 Adopted budget, central service revenue was 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

## 2015 Proposed Spending By Major Object



## 2015 Proposed Revenue By Source

