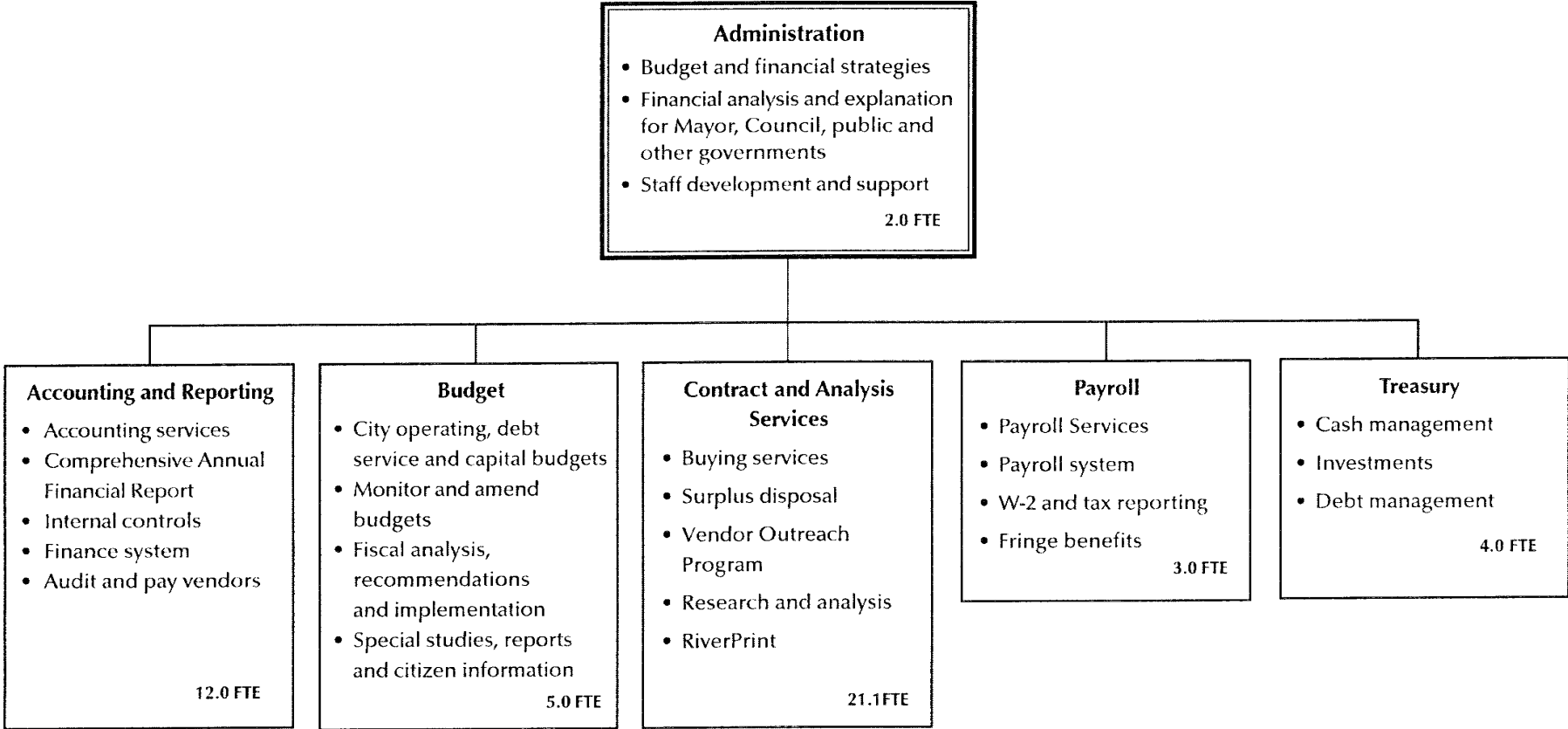


# Financial Services

*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:

- Ensure that 3,300 hardworking City employees receive their pay and benefits accurately and on time.
- Pay \$215 million annually to vendors who provide the City with goods and services, within 30 days of invoice.
- Get the best price on over \$92 million worth of contracts for construction, goods and services.
- Manage \$75 million in cash balances, investing them to earn a competitive rate of return while guaranteeing the City can meet its cash needs.
- Sell City debt instruments at the lowest borrowing cost.
- Ensure all financial transactions and accounting practices conform to generally accepted accounting principles, state law, and city administrative code and policies.
- 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 19% since 2002.
- General Fund balance as percent of 2005 budget: 21.37%
- Percent of payroll checks issued on time w/o errors: 99.9%
- Percent of vendor checks paid within 31 days of invoice date: 79%
- 2004 Variance in General Fund actual to budget spending: -2.7%
- 2004 Variance in General Fund actual to budget revenues: +0.1%

### 2004-2005 Accomplishments

We're proud of the following accomplishments in 2004 and 2005:

- Developed and implemented balanced 2004 and 2005 operating, capital and debt budgets for the city.
- Received the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting.
- Maintained City's AAA (Standard & Poor's) and Aa2 (Moody's) bond ratings, with Moody's upgrading the outlook to positive.
- Completed an RFP for capital lease financing for ongoing replacement of parks and public safety equipment.
- Implemented positive pay for payroll and vendor checks to prevent fraudulent checks from being cashed.
- Transferred workers compensation payments to employees processing from the vendor system to the payroll system. This reduces check issuance of 1,400 vendor checks per year.
- Worked with other local governments to pass legislation authorizing electronic bidding and reverse auction.
- Issued bonds for the library as an independent agency for the first time.
- Issued the City's Capital Improvement bonds at an all-time low interest rate.
- Provided centralized vendor certification services for Minneapolis, Hennepin County, Ramsey County and Saint Paul.
- Collaborated with the State of Minnesota to administer and collect City Hotel-Motel Taxes on the City's behalf.
- Implemented mandatory direct deposit for employee pay, increasing participation from 82% to 94%. This reduces check issuance of 6,900 payroll checks per year.
- Transferred payment of employee mileage reimbursement to the payroll system. This reduces complex year-end processing and eliminates check issuance of 3,000 vendor checks per year.
- Placed \$10 million in the City of Saint Paul's Socially Responsible Investment Fund..

## Office of Financial Services Key Performance Measures

<b>Performance Objective:</b> Observe prudent budget and financial management policies to maintain fund balance within an acceptable range.				
<b>Performance Indicator:</b> Fund balance as a percent of the next year's General Fund expenditures -- planned in the adopted budget and actual at year-end.				
<b>MEASURES: EFFECTIVENESS</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Projected</b>
Budget	19.0%	23.1%	20.2%	16.1%
Actual	23.4%	24.5%	21.4%	--

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

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

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

<b>Performance Objective:</b> City contracting reflects a representative share for women-owned, minority-owned, and small business vendors.				
<b>Performance Indicator:</b> City contracts awarded to women-woned, minority-owned, and small business vendors				
<b>MEASURES: EFFECTIVENESS</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Projected</b>
Total Dollars to Certified Vendors	12,910,610	8,987,660	12,600,000	13,000,000
Utilization of City Total	13%	9%	15%	15%

## Financial Services Office

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
<b><u>Spending By Unit</u></b>							
001 GENERAL FUND	1,533,273	1,849,560	1,880,514	1,885,132	1,873,159	-11,973	-7,355
050 SPECIAL PROJECTS:GEN GOV ACCTS FUND	5,365,123	6,926,484	7,180,450	7,318,453	7,107,891	-210,562	-72,559
070 INTERNAL BORROWING FUND	589,426	496,967	756,145	566,145	591,145	25,000	-165,000
124 CONTRACT AND ANALYSIS SERVICES	858,519	898,183	1,002,904	1,032,247	1,024,894	-7,353	21,990
127 ST PAUL/RAMSEY COUNTY PRINT CENTRAL	1,202,497	1,145,244	1,473,757	1,632,616	1,628,483	-4,133	154,726
165 OFS SPECIAL PROJECTS FUND	1,401,609	270,183	0	0	0		
802 CPL OPERATING FUND	2,579,874	2,466,506	2,803,420	2,807,861	2,806,683	-1,178	3,263
Total Spending by Unit	<b>13,530,321</b>	<b>14,053,127</b>	<b>15,097,190</b>	<b>15,242,454</b>	<b>15,032,255</b>	<b>-210,199</b>	<b>-64,935</b>
<b><u>Spending By Major Object</u></b>							
SALARIES	2,562,814	2,342,057	2,399,080	2,448,865	2,448,865		49,785
SERVICES	991,513	1,133,289	1,301,048	1,329,105	1,329,105		28,057
MATERIALS AND SUPPLIES	938,229	529,980	684,995	693,841	693,841		8,846
EMPLOYER FRINGE BENEFITS	833,816	779,013	733,479	781,374	753,627	-27,747	20,148
MISC TRANSFER CONTINGENCY ETC	5,886,473	7,491,425	7,488,401	7,707,337	7,524,885	-182,452	36,484
DEBT	589,426	496,967	566,145	566,145	566,145		
STREET SEWER BRIDGE ETC IMPROVEMENT	1,625,533	1,275,396	1,821,042	1,555,787	1,555,787		-265,255
EQUIPMENT LAND AND BUILDINGS	102,517	5,000	103,000	160,000	160,000		57,000
Total Spending by Object	<b>13,530,321</b>	<b>14,053,127</b>	<b>15,097,190</b>	<b>15,242,454</b>	<b>15,032,255</b>	<b>-210,199</b>	<b>-64,935</b>
Percent Change from Previous Year		<b>3.9%</b>	<b>7.4%</b>	<b>1.0%</b>	<b>-1.4%</b>	<b>-1.4%</b>	<b>-0.4%</b>
<b><u>Financing By Major Object</u></b>							
GENERAL FUND	1,533,273	1,849,560	1,880,514	1,885,132	1,873,159	-11,973	-7,355
SPECIAL FUND							
TAXES	1,604,779	1,992,638	1,773,700	1,773,700	2,334,380		560,680
LICENSES AND PERMITS							
INTERGOVERNMENTAL REVENUE	83,590	6,016					
FEES, SALES AND SERVICES	5,663,716	6,967,018	7,100,295	7,444,123	7,347,699		247,404
ENTERPRISE AND UTILITY REVENUES							
MISCELLANEOUS REVENUE	5,124,461	4,438,085	4,266,145	3,971,145	4,221,145		-45,000
TRANSFERS	303,577	21,263	36,092	16,616	116,616		80,524
FUND BALANCES			40,444	151,738	-860,744		-901,188
Total Financing by Object	<b>14,313,396</b>	<b>15,274,580</b>	<b>15,097,190</b>	<b>15,242,454</b>	<b>15,032,255</b>	<b>-210,199</b>	<b>-64,935</b>
Percent Change from Previous Year		<b>6.7%</b>	<b>-1.2%</b>	<b>1.0%</b>	<b>-1.4%</b>	<b>-1.4%</b>	<b>-0.4%</b>

## 2006 Budget Plan

### 2006 Priorities

- Continue to identify and implement revenue diversification to minimize financial cycles.
- Control the net costs of fiscal operations to maximize resources available for public services by limiting costs of debt service and issuance and seeking a competitive return on investments while limiting exposure to risk.
- Provide finance professionals and interested citizens with useful information about the City's financial status by publishing reports that are accurate, understandable, well-documented and timely.
- Adopt a balanced budget for 2006 that reflects citywide resources and service needs.
- Preserve the City's AAA and Aa2 bond ratings by promoting prudent financing, spending and reserve policies.
- Support good financial management within departments and citywide by continuing to improve the usefulness of monthly and quarterly financial reports.
- Raise the visibility and accountability of the Vendor Outreach Program by working with PED and other departments to improve reporting on results.
- Preserve growth and stability in the City's franchise revenues and maintain affordable energy costs by successfully negotiating a renewal of the franchise agreement with Xcel Energy.
- Improve performance of the accounts payable process citywide by identifying necessary organizational, workflow and technology improvements and plan for implementation.
- Implement new GASB rules.

### 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 utilities. A \$26,377 spending restraint amount was applied to the OFS general fund spending base to help control City general fund spending.

#### Mayor's Recommendation

The proposed budget continues the same level of services as the 2005 budget. The recommended 2006 general fund budget of the Office of Financial Services (OFS) is \$1,885,132, which is \$4,618 (0.2%) more than the adopted 2005 budget. The department's spending reduction target plus inflationary increases was achieved through non-personnel spending decreases. An additional savings target of -\$13,929 was assigned based on projected vacant positions.

General fund FTEs decreased by 0.3. Special fund FTEs increased by 1.0, primarily due to 0.2 FTE added to the Vendor Outreach Program, and 0.7 FTEs added to the RiverPrint Fund. The Vendor Outreach Program Coordinator position is partially funded with contributions from Minneapolis, Ramsey County and Hennepin County. This will allow the person to work full-time on behalf of the City's outreach efforts, increasing visibility among the local targeted vendor community. The 0.7 FTEs added to RiverPrint special fund budget will help respond to added business (and revenue) due to the mail function. Overall, there is an addition of 0.8 FTEs, between general, special, and debt service funds, from 2005 to 2006.

## 2006 Budget Plan (continued)

### 2006 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:

- decreasing fringe benefit costs.
- decreasing by \$96,132, Fund 050 revenue due to a combination of a \$100,447 decrease in Water central service fees and a \$4,315 increase in Library central service fees. The corresponding transfer of revenue to the General Fund was also reduced by the same amount (\$96,132).
- decreasing the transfers of hotel/motel revenue in Fund 050 Activity 30108, by a total of \$111,320 (-\$41,320 to the Convention and Visitor's Bureau, and -\$70,000 to the RiverCentre).
- adding a \$25,000 transfer to the General Fund in Fund 070 related to the West Midway TIF. This is financed by \$250,000 Science Museum note proceeds, a \$100,000 transfer from HRA Fund 117, \$672,000 excess tax increment revenue. These revenues are offset by a \$997,000 contribution to fund balance.