

General Fund

General Fund – 2010 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 2010 spending and financing plan.

Financing Highlights

The major financing sources for this fund are:

- ❖ Property taxes – 31.7%
- ❖ State aids (incl. Local Government Aid) – 31.6%
- ❖ Franchise fees – 11.6%
- ❖ Other revenues, aids, and user fees – 25.1%

Certified Local Government Aid (LGA): The amount of Local Government Aid generally has been lower and less predictable since the state aid cuts that began in 2003. Although the state legislature increased the LGA appropriation in 2008 for the first time since 2006, LGA was reduced through the Governor's unallotment process by \$5.7 million at the end of 2008 and further reduced by \$5.0 million in 2009 and \$11.6 million in 2010.

Property Tax Levy: Financing for the adopted budget includes a total certified levy increase of \$5.36 million in order to fund City operations and service debt. The total certified levy amount is \$94.6 million, about 71% of that will finance General Fund operations and 18% is for the Library Agency. The remainder is used for City debt service or is levied on behalf of the St. Paul Port Authority.

Fund Balance: Historically, dollars from the City's fund balance had 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 2010 City budget does not use fund balance as a financing source, in keeping with City fund balance policy developed in 2006. Furthermore, the 2010 adopted budget is projected to comply with the minimum levels required by the adopted fund balance policy.

City Franchise Fees: The estimated 2010 financing level will decrease slightly. There is a small projected decrease to the Xcel franchise fee and slight increases in current and deferred franchise fees from District Energy.

General Fund Interest Earnings: Interest estimates are projected to decrease in 2010 due to expected investment pool balances and interest rates.

Paramedic Fees: The adopted budget for 2010 includes a 10% increase in transport fees. However, because overall fee collection is expected to decrease, budgeted revenues from paramedic fees are held essentially flat compared to 2009.

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Budget Issues and Challenges

Rate of Spending Growth: Saint Paul's General Fund budget is slightly reduced relative to 2009. Reduced spending is reflective of significant budget reductions despite inflationary pressures related to employee compensation, materials, supplies and services.

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 56% of the City's total local property tax levy (excluding fiscal disparities) falls on residential property. This is due to a variety of reasons, some longstanding and others more recent. Historically, as the home to many tax-exempt educational, medical, and state government institutions, nearly a third of the city's property has been exempted entirely from helping to pay the city property tax levy. During much of the past decade, rapid inflation in home values pushed up the share of taxes falling on homeowners and renters (through their rent payments). However, declines in residential property values in recent years has somewhat reversed the trend, as commercial property values have remained relatively stable over the same period.

State Budget Instability and Unpredictability of LGA

Local Government Aid is a significant revenue source for the City's General Fund, accounting for 32% of General Fund revenues. 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 provide basic services. Since late 2008, the Governor has unallotted LGA by a total of \$22.3 million over a three year period, which has caused a series of budget challenges and the reduction of important City services. Enacting measures at the state level to ensure more balanced and predictable revenues would reduce fluctuations in local aid appropriations and help make future local budget planning and service delivery more predictable for both City officials and the citizens of Saint Paul.

Cost Pressures

The costs the City bears as an employer (wages, benefits, workers' compensation, etc.) compete for service delivery dollars. The City must continue to find ways to prudently and responsibly manage these costs in order to maintain service delivery levels and maintain the integrity of the City's finances. The largest General Fund expense is employee wages and benefits – 81% of all general fund spending is for personnel costs. Negotiated cost of living increases and health and retirement benefit increases added \$7.8 million to the 2010 General Fund 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 63rd in the most recent survey.

This practice has also resulted in a gradual reduction of the General Fund balance from its peak of \$49.4 million in 1998 to approximately \$32.0 million at the end of 2008. 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. 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. Due to the unallotment of LGA in the waning days of 2008, year-end reserves fell slightly below the 15% benchmark. A mid-year budget adjustment early in 2009 reduced spending to restore fund balance to the appropriate level, as stated in City policy. No General Fund balance is planned to be spent in the 2010 adopted budget.

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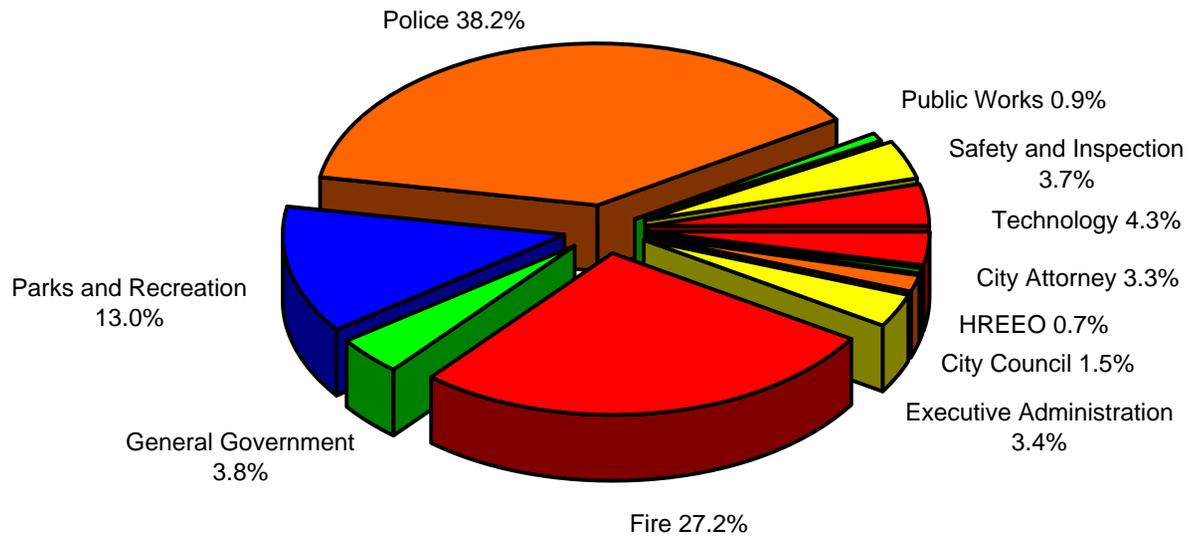
General Fund Spending (By Department)			
Department/Office	2008 Actual	2009 Adopted Budget	2010 Adopted Budget
Attorney	6,332,106	6,399,367	6,396,084
City Clerk (a)			
Council	2,666,475	2,946,606	3,000,388
Emergency Management	178,784	250,723	252,429
Financial Services	2,024,779	1,931,503	1,738,434
Fire and Safety Services (a)	47,043,705	51,161,056	53,178,411
General Government Accounts	8,579,490	7,393,068	7,469,095
HREEO (b)		1,353,742	1,370,164
Human Resources	3,123,036	3,422,423	3,169,122
Human Rights	642,609		
Independent Library Agency (budget is published separately)			
Mayor	1,470,286	1,577,488	1,434,754
Parks and Recreation	26,450,817	27,189,480	25,493,943
Planning and Economic Development	0	0	0
Police	74,016,611	76,256,271	74,757,844
Public Works	1,564,280	1,765,560	1,651,733
Safety and Inspection (a)	6,919,551	6,955,635	7,176,195
Technology	<u>8,379,460</u>	<u>9,052,505</u>	<u>8,494,037</u>
Total	189,391,990	197,655,427	195,582,633

a) In 2008, the City Clerk was merged into the City Council.

b) In 2009, the Contract Analysis and RiverPrint components of the Office of Financial Services, the Equal Employment program in the Planning and Economic Development department, and the Human Rights department were merged to create the Human Rights and Equal Economic Opportunity (HREEO) department.

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2010 Adopted Spending by Department



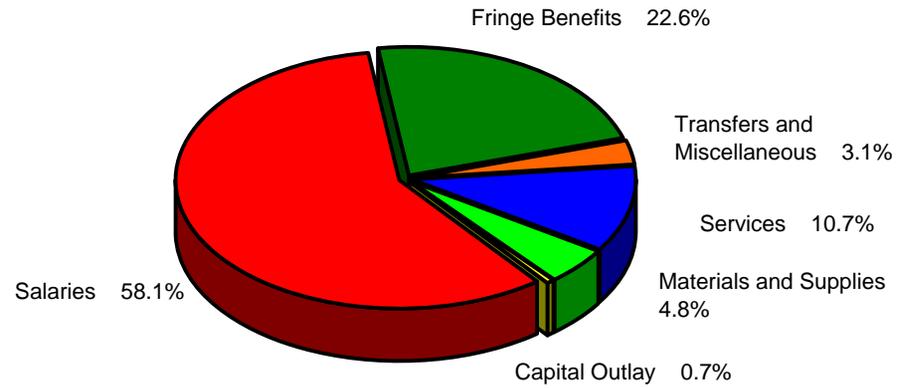
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General Fund Spending (By Major Object)			
	2008 Actual	2009 Adopted Budget	2010 Adopted Budget
Object			
Salaries	108,574,189	115,426,368	113,634,894
Services	20,521,392	19,994,159	20,929,725
Materials and Supplies	10,142,879	9,782,020	9,486,903
Fringe Benefits	40,049,190	43,077,692	44,199,927
Transfers and Miscellaneous	4,529,700	8,853,504	6,028,801
Debt Service	3,236,386	0	0
Street, Sewer, Bridge Improvement	0	5,329	2,345
Capital Outlay	<u>2,338,253</u>	<u>516,355</u>	<u>1,300,038</u>
Total	189,391,990	197,655,427	195,582,633

General Fund Financing (Revenue By Source)			
	2008 Actual	2009 Adopted Budget	2010 Adopted Budget
Source			
Use of or (Contribution to) Fund Balance	2,977,471	0	0
Transfers	19,661,742	22,000,182	21,489,991
Taxes	57,215,506	58,578,136	63,982,100
Licenses and Permits	697,259	896,013	1,035,000
Intergovernmental Revenue	57,688,930	69,301,209	61,885,668
Fees, Sales and Services	17,995,683	19,577,504	19,624,794
Enterprise and Utility Revenues	22,137,022	24,165,140	23,895,218
Other Revenue Sources	<u>11,018,377</u>	<u>3,137,243</u>	<u>3,669,862</u>
Total	189,391,990	197,655,427	195,582,633

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2010 Adopted Spending By Major Object



2010 Adopted Revenue By Source

