

City General Fund

General Fund – 2014 Proposed Budget

Purpose: 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 proposed 2014 spending and financing plan.

Financing Highlights

The major financing sources for this fund are:

- ❖ Property Taxes – 32.1%
- ❖ Local Government Aid – 26.2%
- ❖ Franchise fees – 11.1%
- ❖ Other revenues, aids, and user fees – 30.6%

Certified Local Government Aid (LGA): The amount of Local Government Aid has been lower and less predictable since state aid cuts that began in 2003. However, during the 2013 legislative session, the legislature increased LGA financing for Saint Paul to \$60.4 million, which represents a \$10.1 million increase from the 2013 certified amount. While it's the first increase since 2009, it is still nearly \$16 million less than the amount certified in 2003, and over \$50 million less than the 2003 certified amount after adjusting for inflation.

Property Tax Levy: Financing for the proposed budget includes no new property tax resources. The total proposed levy remains at \$101.2 million. 72% of the total 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 2014 financing remains stable with small increases in cable and District Energy deferred fees.

Paramedic Fees: The proposed budget for 2014 is expected to increase slightly for a second consecutive year 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 intergovernmental reimbursement, which was approved during the 2013 legislative session, will provide an additional \$900,000 in paramedic revenue next year.

Budget Issues and Challenges

Rate of Spending Growth: Saint Paul's General Fund budget as proposed will increase by \$8.4 million, or 3.8% relative to 2013 (3.6% when combined with the Library Agency). Cost drivers in the budget are associated with increased inflationary costs, as well as the planned expiration of public safety grants, the opening of the Payne/Maryland library/recreation center and increased pension and workers' compensation costs approved during the 2013 State legislative session.

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. This includes most inflationary adjustments, such as increased costs for health insurance, cost-of-living salary adjustments, inflationary increases for non-personnel expenses, and workers' compensation changes.

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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 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 26.2% of General Fund revenues (24.5% 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. The LGA increase approved during the 2013 legislative session is 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 – 81% of all General Fund spending is for personnel costs. The City continues to work hard 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.

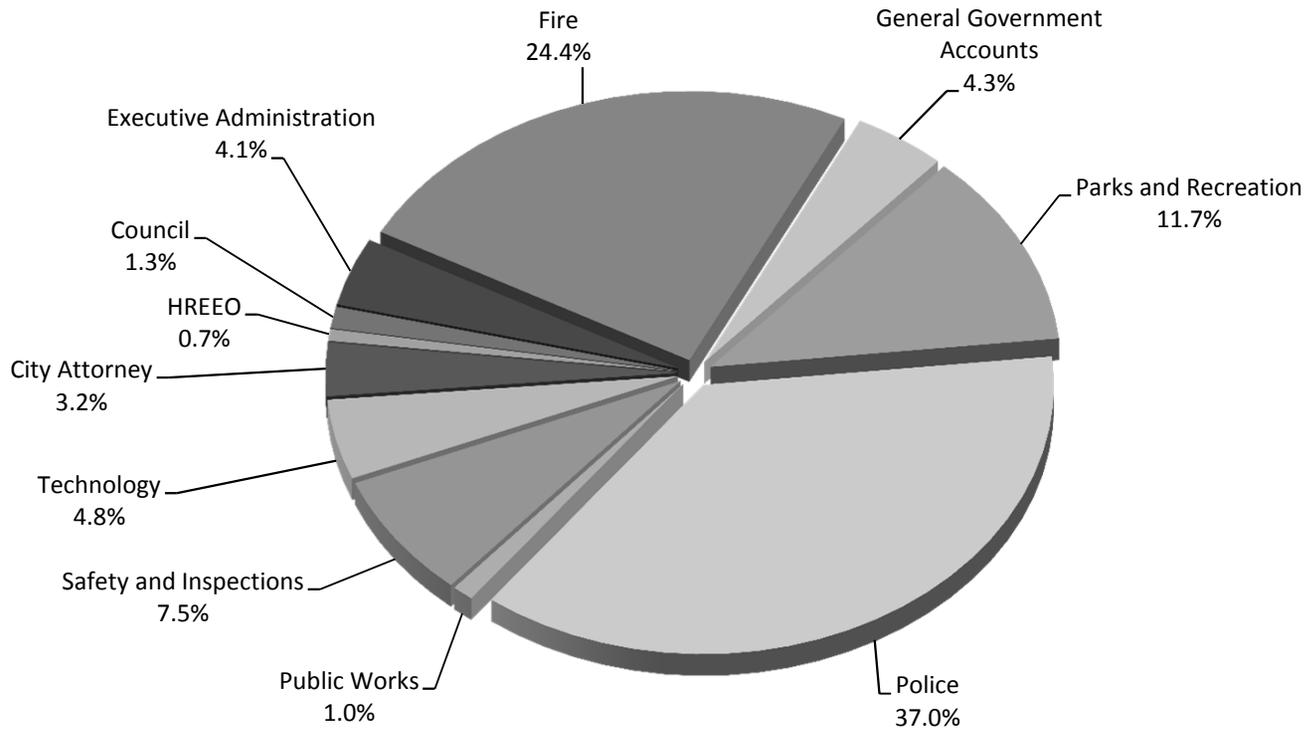
Maintaining Adequate Financial Reserves: From 1994 - 2005, the City spent from its General Fund balance to finance a share of the annual operating budget, which decreased the fund balance from its peak of 31% of subsequent year spending in 1998 to just under 15% in 2005. In 2006, the City enacted a fund 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 2014 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	2012 Actual	2013 Adopted Budget	2014 Mayor's Proposed Budget
City Attorney	6,892,345	7,142,715	7,472,013
Council	2,871,442	3,037,495	3,066,538
Emergency Management	249,676	247,182	377,907
Financial Services	1,862,840	3,346,822	3,408,780
Fire and Safety Services	52,892,714	55,127,262	56,483,309
General Government Accounts	7,491,396	9,270,494	9,968,707
HREEO	1,321,313	1,606,998	1,654,973
Human Resources	3,106,206	3,214,078	4,298,583
Mayor's Office	1,329,208	1,389,381	1,448,183
Parks and Recreation	26,782,915	26,154,783	26,956,240
Police	76,885,520	80,101,437	84,450,267
Public Works	1,987,847	2,376,547	2,407,019
Safety and Inspection	15,481,310	17,723,326	17,285,226
Technology	<u>9,785,119</u>	<u>11,248,721</u>	<u>11,071,247</u>
Total	208,939,851	221,987,242	230,348,994

General Fund Budget

2014 Proposed Spending by Department



General Fund Budget

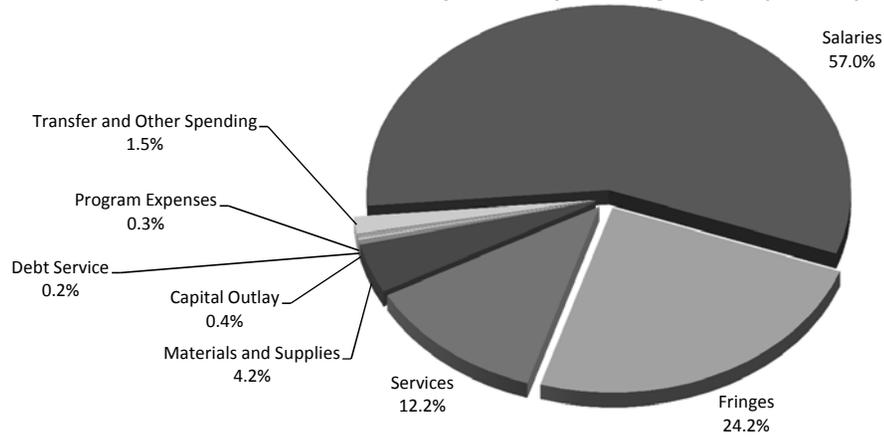
General Fund Spending (By Major Account)			
	2012	2013	2014
Object	Actual	Adopted Budget	Mayor's Proposed Budget
Salaries	120,121,938	126,874,293	131,201,130
Fringes	49,647,602	52,228,597	55,730,056
Services	24,253,057	26,524,256	28,147,750
Materials and Supplies	9,939,438	10,065,891	9,720,753
Capital Outlay	630,733	588,672	850,672
Debt Service	74,325	541,934	508,978
Program Expenses	862,354	811,267	811,267
Transfer and Other Spending	3,410,404	4,352,333	3,378,389
Total	<u>208,939,851</u>	<u>221,987,242</u>	<u>230,348,994</u>

General Fund Financing (Revenue By Source)			
	2012	2013	2014
Source	Actual	Adopted Budget	Mayor's Proposed Budget
Use of/(Contribution to) Fund Balance	0	0	0
Taxes	73,550,777	75,037,457	74,015,256
Fees, Sales and Services (a)	36,814,691	40,509,699	39,294,112
Franchise Fees	24,988,045	25,251,131	25,505,771
Fines and Forfeitures	53,196	67,000	67,000
Intergovernmental Revenue	60,067,122	60,409,369	71,411,114
Interest	3,019,042	2,215,034	2,215,034
License and Permits	10,316,144	9,974,694	9,533,146
Debt Financing	0	0	0
Transfers and Other Financing (a)	6,537,255	8,522,858	8,307,561
Total	<u>215,346,271</u>	<u>221,987,242</u>	<u>230,348,994</u>

(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

2014 Proposed Spending By Major Object



2014 Proposed Revenue By Source

