

General Fund

General Fund

2008 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 2008 spending and financing plan.

Financing Highlights:

The major financing sources for this fund are:

- ❖ Property taxes – 29.7%
- ❖ State aids (incl. Local Government Aid) – 34.8%
- ❖ Franchise fees – 12.2%
- ❖ Other revenues, aids, and user fees – 23.3%

Certified Local Government Aid (LGA): The amount of Local Government Aid has been lower and less predictable since the state aid cuts that began in mid-2003. The LGA certified for 2008 is \$56.8 million, a decrease of \$3.2 million from the 2007 amount. The 2007 state tax bill, passed by the legislature, but vetoed by the Governor over an unrelated provision, would have provided St. Paul with \$67 million in LGA for 2008, as projected in May 2007. The Mayor originally proposed two budgets, one of which was based on the reasonable expectation that the Governor and legislative leaders would have agreed to hold a special session late in 2007 to reconsider and adopt as law the local government aid portion of the tax bill effective for 2008. However, since the tax bill wasn't reconsidered in a special legislative session in 2007, the 2008 Adopted Budget assumes an LGA distribution to Saint Paul of the originally certified \$56.8 million.

Since 2004, LGA has been allocated between the City budget

and the Independent Library Agency's budget.

Property Tax Levy: Financing for the adopted budget includes a total certified levy increase of \$10.4 million in order to fund City operations and service debt. (The City's portion of this increase, after allowing for uncollectible taxes, will yield about \$10.2 million in new budget financing.) The total certified levy amount is \$82.6 million, about 70% 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 2008 City budget does not use fund balance as a financing source, in keeping with City fund balance policy developed in 2006. The 2008 adopted budget is projected to comply with the minimum levels required by the adopted fund balance policy.

City Franchise Fees: The estimated 2008 financing level will rise slightly. There is a small projected increase due to normal growth related to the Xcel franchise agreement and District Heating, but when combined with the loss of the Norenco financing, the overall increase is just over \$275,000. In addition, in 2008, the City will begin to collect on deferred franchise fees from District Energy.

General Fund Interest Earnings: Interest estimates are projected to generally show only slight growth from 2007 to 2008 based on expected investment pool balances and interest rates.

Other General Fund Financing: The adopted budget for 2008 includes additional revenues as a result of revising the approach

for determining central service charges, changing from a two year delay to a current budget year base.

Spending Highlights:

Rate of Growth: Saint Paul's general fund budget as adopted will increase by \$10,522,599, or 6.1%, from \$171,908,169 in 2007 to \$182,430,768 in 2008. Growth in spending for 2008 is primarily driven by inflation, resulting in higher costs to continue services at 2007 levels, and the addition of new police officers.

Wage Increases: Salaries and benefits are the most significant cost in the City's operating budgets. The 2008 budget includes planned salaries and the anticipated growth in the city costs of employee insurance and other fringes, including annual increases in PERA employer pension contribution rates adopted by the 2005 State Legislature.

City Council: The adopted budget for 2008 is \$2,798,414. This reflects the move of City Clerk personnel and functions to City Council Offices. The 2008 adopted budget reflects an overall increase of \$482,357 or 20.8% over 2007. The 2008 adopted budget reflects increased spending to support the National Urban Fellow Program and salary costs for staff to provide centralized general support.

City Clerk's Office (formerly Citizen Services): The adopted general fund budget for the City Clerk's Office is \$0. This reflects the shift of this budget to the City Council offices as noted above.

City Attorney: The adopted general fund budget is \$6,015,776, a 4.2% increase from the 2007 Adopted budget. The budget transfers one position from general funding to the special fund, thus has a 1.0 FTE reduction from the 2007 Adopted budget. It also includes an increase in continuance for dismissal revenues. This increased revenue will provide the resources to offset the cost of integrating our criminal case management system with the Minnesota State Court Information System (MNCIS), which is a necessary cost of prosecution. Starting in 2009, the revenue raised through this increase will be available for general City use.

Emergency Management: The 2008 adopted budget recommends the establishment of a new executive department of Emergency Management. Previously, Emergency Management was part of the Fire Department's budget. The adopted general fund budget for Emergency Management is \$182,181, which is \$24,428 less than what was in Fire's 2007 adopted budget for emergency management. The primary reason for this decrease is that funding for a portion of a new Emergency Management FTE has been transferred to Fire's special fund.

Financial Services: The adopted budget for the Office of Financial Services in the general fund is \$2,002,716, which is an increase of \$70,634 from the 2007 adopted budget of \$1,932,082. The increase reflects the cost of inflation. Total staffing (FTEs) remains the same.

Fire Department: Fire's adopted general fund budget for 2008 is \$46,818,914, and is up \$2,013,515, or 4.5% from the 2007 adopted budget of \$44,805,399. The numbers for 2008 reflect the reorganization and creation of the Department of Safety and Inspection. As a result, Fire Prevention moves from the Fire department to the new department of Safety and Inspection. In addition, the Emergency Management function is no longer reflected as part of the Fire Department budget but instead as separate budget under Executive Administration. The adopted budget includes funding for 2008 recruit class, increased motor fuel costs, firefighter turnout gear, advanced rescue equipment, EMS equipment and medical supplies. It also includes spending authority to begin implementation of the Fire Strategic Plan. The budget includes a 10% increase in paramedic transport rates reflecting the expected average metro area level.

General Government Accounts: The adopted budget is \$7,002,410, an increase of \$2,165,276 (44.8%). Significant changes include an increase of \$246,030 for the general fund share of the Enterprise Technology Initiative, \$344,671 for ongoing and one-time spending on the Civic Organization Partnership Program (COPP) and \$643,781 for various contingency items.

Human Resources: The general fund budget for Human Resources for 2008 has been adopted at \$3,161,786, up \$91,164, or 3.0% from the 2007 budget of \$3,070,622. General Fund staff FTEs have decreased from 32.6 in 2007 to 31.3 in 2008.

Human Rights: The adopted budget totals \$574,414, an increase of \$41,549, or 7.8% from the 2007 adopted budget. The budget results in no changes to FTEs or service levels.

Mayor's Office: The Mayor's Office budget for 2008 is \$1,481,120, which is a 1.7% increase from the 2007 adopted budget of \$1,456,446. The adopted budget includes staff restructuring to better meet the needs of the office and the elimination of an additional position. It also recognizes funding of staff positions related to working on the Central Corridor.

Parks: The Parks and Recreation general fund budget is \$25,519,501, which is \$1,283,347 or 5.3% more than the 2007 adopted budget. The budget includes increased funding for the Oxford Aquatic/Jimmy Lee Recreation Center facility, as well as further reorganization in recreation services which continues to refocus resources away from buildings toward enhanced programs. The Parks FTE complement increases by 11.6, primarily due to the reopening of the Oxford Aquatic facility and shifting the ski program from a special fund to the general fund.

Planning and Economic Development: In 2004, the general fund was eliminated as a support source for the PED Operations fund, and in 2006, the remaining two general fund budget items were moved to other departments. For the most part, PED has no direct financial support from the general fund.

Police Department: The adopted general fund budget for the Police Department is \$71,425,110 for 2008, compared with \$68,019,378 for 2007. This is an increase of \$3,405,732, or 5.0%. The adopted budget allows for funding of regular salaries and fringes for 617 sworn personnel in 2008, which represent a gain of 14.0 FTE over 2007. The number of sworn positions budgeted in the general fund is 583.8, up from 569.2 in 2007, 540.6 in 2006 and 526 in 2005. The budget maintains the additional \$1,000,000 for overtime added in the 2006 budget to

ensure a fully staffed complement of sworn personnel. Other increases included in this budget are: roughly \$200,000 more for vehicle fuel, and \$400,000 in funding to lease 100 squad cars. These squad cars will be funded with STAR financing through the STAR City Capital project equipment program. An appropriate amount of savings reflecting turnover from senior- to entry-level officers due to normal retirement patterns will be recognized.

The Police budget also reflects the emergency communications center consolidation with Ramsey County, which was completed in 2007. Support staff for the computer-aided dispatch system is a part of the Office of Technology and Communications budget.

Public Works Department: The 2008 general fund budget adopted for Public Works is \$1,677,291, a 3.0% increase from the 2007 adopted budget of \$1,628,464, and maintains the same level of service and staffing.

Department of Safety and Inspections: The DSI general fund budget includes animal control, code enforcement, vacant building monitoring, information and complaint and fire inspections. The total adopted general fund budget for 2008 is \$5,136,146, a 1.5% increase over the 2007 adopted budget. Significant changes include shifting three positions in the Fire Inspection division to Fund 320. Spending increases for vacant building monitoring and nuisance abatement maintenance align budgets with recent actual spending trends. The increases are financed by expected assessments on the related properties.

Office of Technology and Communications: The adopted general fund budget is \$8,634,989, an increase of \$698,551 or 8.8% from the 2007 adopted budget of \$7,936,438. The increase is related to several factors including infrastructure repairs and upgrades to the City's network, salary adjustments for recruitment purposes and implementation of the recommendations of the Broadband Advisory Committee. The changes result in a net increase of 1.2 FTEs.

The Independent Library Agency: 2002 State legislation provided the authority to allow the Saint Paul Public Library to become an independent unit, separate from Saint Paul City

government. In 2003, the City Council adopted an ordinance creating the independent agency, effective for 2004. In accordance with the ordinance, the Independent Library Agency submitted its 2008 budget request to the Mayor, and the Mayor in turn presented the Library budget to the City Council. The Library Board and the City Council adopted the 2008 budget at \$20,292,351. The Library Agency is independent of the City, and, as such, the Library Agency budget is no longer a part of the City budget. The Library Agency publishes a separate budget book.

Budget Issues and Challenges

Property Tax Base

Saint Paul has a local property tax base that largely consists of residential properties—both owner-occupied and rental units. In total, 60% 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, a quarter to a third of the city's property (depending on the measures used) has been exempted entirely from helping to pay the city property tax levy. More recently, inflation in home values, while a welcome sign of a healthy local economy, has pushed up the share of taxes falling on homeowners and renters (through their rent payments).

State policy decisions enacted in recent years have added to the shift in property tax burden toward city residents. Changes in the state property tax classification system in 2001 changed the weighting system that distributes the property tax burden among business, residential, and other types of property, pushing a larger proportion of the tax onto residents even as overall tax levies were reduced. The state limited market value (LMV) law, which was enacted in the 1990's in a (temporary) effort to shield homeowner tax bills from the effects of market value inflation, is now being phased out, adding a backlog of previously untaxed value to residents' tax bills. LMV is currently scheduled to be completely eliminated for taxes payable in 2010.

In 2008, two Tax Increment Finance (TIF) districts (Downtown Seventh Place and Energy Park) will be decertified and returned

to the City's property tax base. For taxes payable in 2009, TIF districts preliminarily valued at \$7.8 million of tax capacity will return to St. Paul's tax base. This additional tax base, much of it in commercial/industrial property, will somewhat ease the property tax burden on homeowners.

Pressure on Homeowners

Growth in market values, state tax law changes, and tax decisions by the school district and county in recent years have put considerable pressure on Saint Paul residents' property tax bills, even though the City did not increase its own property tax levy between 1994 and 2005, with total levy increases of 3% in 2006 and 8.6% in 2007. In 2008 LMV phase out, unequal distribution of property value growth, and levy increases enacted by other jurisdictions will add to homeowners' and businesses' tax bills, independent of any other decisions by the City.

State Budget Instability and Unpredictability of LGA and Other Policies

Local Government Aid is a significant revenue source for the City's general fund. This accounts for 33% of City 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. Although the City's 2007 aid amount increased slightly (.7%) over 2006, the new LGA formula has created instability and unpredictability in annual aid payments. For example, the 2007 certified LGA payment was \$1.5 million less than projected months earlier, and the 2008 certified LGA payment was just under \$1 million less than early projections.

State policymakers have an opportunity to create a more stable budget environment for the City and its residents. Enacting measures at the state level to ensure more balanced and predictable state revenues overall would reduce fluctuations in local aid appropriations and help make future local budget planning and service delivery more predictable for both citizens and City officials. Also, state authorization of broader local authority for deciding how to raise revenue and what to use it for would help to better insulate city services from state budget fluctuations, and allow for better local decision-making.

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 over \$3.5 million to the 2008 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 73rd 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 \$30.27 million at the end of 2006. 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. The 2006 year-end level of reserves represents 15.4% of these planned 2008 expenditures. No General Fund balance is planned to be spent in the 2008 adopted budget.

General Fund Budget

General Fund Balances (Revenues & Sources and Expenditures & Uses of Funds)					
	2004 Actual	2005 Actual	2006 Actual	2007 Adopted Budget	2008 Adopted Budget
Beginning Balances	37,844,899	33,840,384	27,254,757	30,272,574	30,272,574
Revenues and Sources					
Transfers In	10,101,003	13,381,951	19,692,272	18,055,634	17,730,693
Property Taxes	39,235,087	42,990,712	46,014,519	45,464,320	54,135,201
Other Taxes	838,565	823,080	844,984	1,246,700	2,918,760
Licenses and Permits	872,106	876,144	925,299	982,443	928,200
Intergovernmental	65,260,620	57,473,669	63,746,052	63,542,411	63,525,444
Fees, Sales and Services	12,922,433	14,475,067	14,903,307	16,807,077	16,012,612
Franchise Fees	17,983,409	18,559,769	18,524,266	21,318,043	22,251,500
Interest Earned:					
On Investments	3,537,138	3,273,640	3,381,982	3,240,719	3,520,500
On Securities Lending Transactions - (a)	1,775,821	4,157,792	6,821,378	0	0
Inc (Dec) in Fair Market Value of Investments	(819,998)	(1,043,290)	17,905	0	0
Miscellaneous	1,173,740	1,397,396	1,056,559	1,250,822	1,407,858
Total	152,879,924	156,365,930	175,928,523	171,908,169	182,430,768
Expenditures and Uses (b)					
Attorney	5,063,378	5,318,128	5,616,443	5,772,924	6,015,776
City Clerk (c)	1,039,178	695,279	534,010	302,402	0
Council	2,217,733	2,193,535	2,355,730	2,316,057	2,798,414
Emergency Management		0	0		182,181
Fire and Safety Services (c)	40,330,000	41,948,414	44,724,660	44,805,399	46,818,914
General Government Accounts - Miscellaneous	8,324,821	10,655,068	11,929,660	4,837,134	7,002,410
Libraries	0	0	0	0	0
Executive Administration (d)	7,214,764	7,376,299	7,412,110	6,992,015	7,220,036
Neighborhood Housing and Property Improvement (c)	2,791,828	3,037,237	4,185,299	0	0
Parks & Recreation	22,443,561	23,085,748	24,172,293	24,236,154	25,519,501
Planning and Economic Development	84,358	86,073	0	0	0
Police	57,257,577	60,931,291	64,722,404	68,019,378	71,425,110
Public Works	5,003,457	2,103,283	1,537,719	1,628,464	1,677,291
Safety and Inspection (c)	0	0	0	5,061,804	5,136,146
Technology	5,113,783	5,521,203	7,133,635	7,936,438	8,634,989
Fringe Benefits	0	0	0	0	0
Interest on Securities Lending Transactions - (a)	0	0	0	0	0
Total (e)	156,884,438	162,951,558	174,323,963	171,908,169	182,430,768
Ending Balance					
Reserved	4,340,815	4,187,181	3,267,812	5,100,000	5,100,000
Designated	29,109,596	23,035,751	27,004,762	21,325,000	23,170,000
Undesignated	389,974	31,825		3,847,574	2,002,574
Total (f)	33,840,385	27,254,757	30,272,574	30,272,574	30,272,574

- a) The 2007 adopted financing and spending budgets for Securities Lending Transactions will be amended when the actual amounts are known and available.
- b) For 2004 - 2006, no adjustments have been made to the historic expenditures and uses data to reflect any movement of organizational units among and between departments.
- c) In 2007, the Information and Complaint component of City Clerk, License, Inspection, and Environmental Protection (LIEP) and Neighborhood Housing and Property Improvement (NHPI) will be merged with the Fire Department's Fire Inspection unit as the new Department of Safety and Inspection (DSI).
- d) Executive Administration includes: Financial Services, Human Resources, Human Rights, and the Mayor's Office.
- e) The 2007 and 2008 Budget columns on this page do not include "Advances to Other Funds" and "Petty Cash Advances."
- f) Based on the 2004 - 2006 experience, the actual ending total balance for 2007 - 2008 will be greater than the listed budget ending total balance.

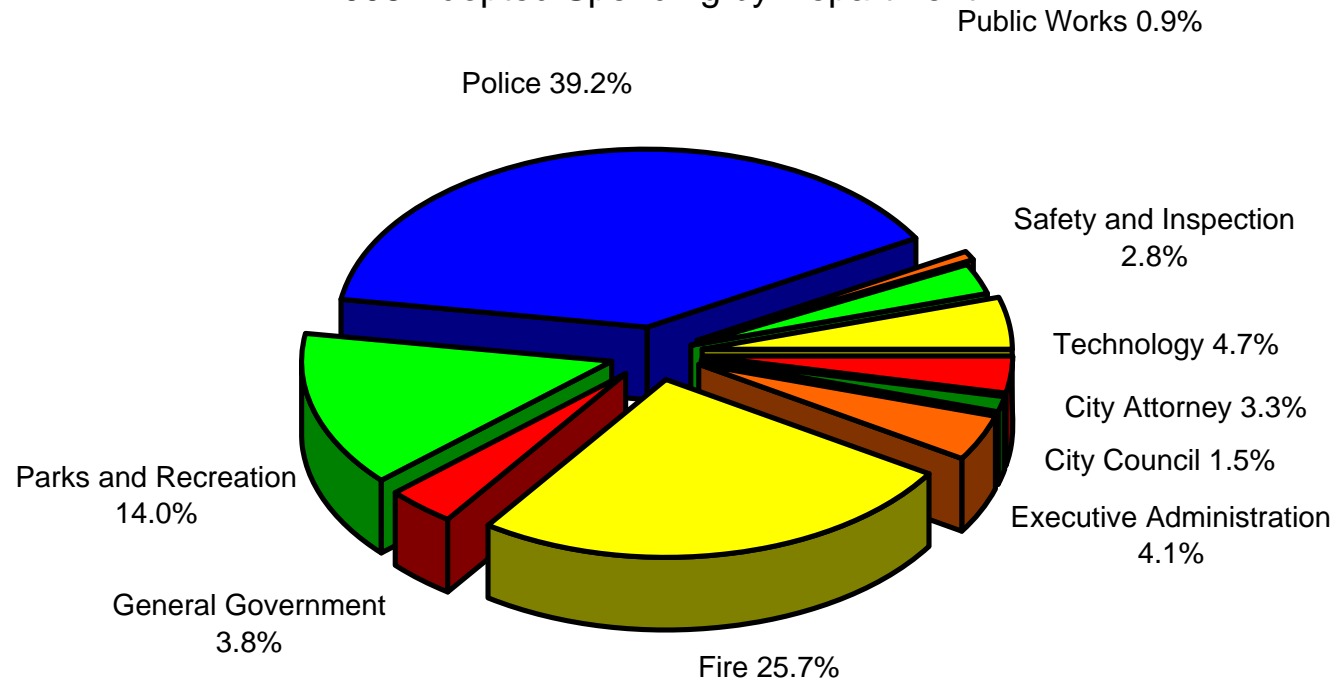
General Fund Budget

General Fund Spending (By Department)			
Department/Office	2006 Actual	2007 Adopted Budget	2008 Adopted Budget
Attorney	5,616,443	5,772,924	6,015,776
City Clerk (a)	534,010	302,402	
Council	2,355,730	2,316,057	2,798,414
Emergency Management			182,181
Financial Services	2,607,222	1,932,082	2,002,716
Fire and Safety Services (a)	44,724,660	44,805,399	46,818,914
General Government Accounts	11,929,660	4,837,134	7,002,410
Human Resources	2,979,306	3,070,622	3,161,786
Human Rights	534,732	532,865	574,414
Independent Library Agency (budget is published separately)			
License, Inspection, and Environmental Protection (a)	0		
Mayor	1,290,850	1,456,446	1,481,120
Neighborhood Housing and Property Improvement (a)	4,185,299		
Parks and Recreation	24,172,293	24,236,154	25,519,501
Planning and Economic Development	0		
Police	64,722,404	68,019,378	71,425,110
Public Works	1,537,719	1,628,464	1,677,291
Safety and Inspection (a)	0	5,061,804	5,136,146
Technology	7,133,635	7,936,438	8,634,989
Total	174,323,963	171,908,169	182,430,768

- a) In 2007, the Information and Complaint component of City Clerk, License, Inspection, and Environmental Protection (LIEP) and Neighborhood Housing and Property Improvement (NHPI) will be merged with the Fire Department's Fire Inspection unit as the new Department of Safety and Inspection (DSI). For 2008, the City Clerk will merge into the City Council.

General Fund Budget

2008 Adopted Spending by Department



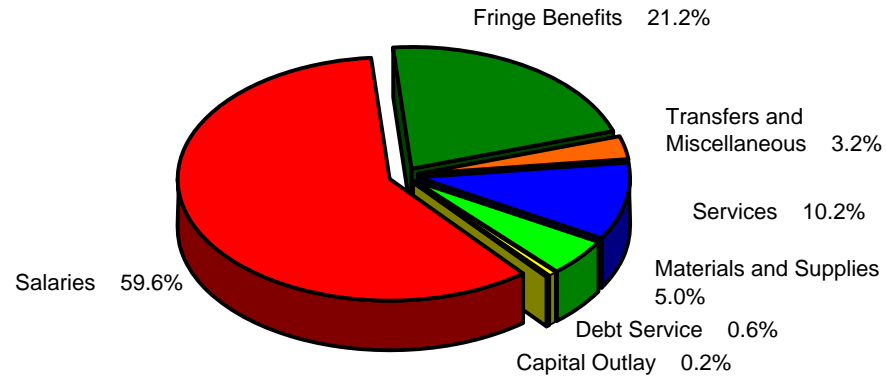
General Fund Budget

General Fund Spending (By Major Object)			
Object	2006 Actual	2007 Adopted Budget	2008 Adopted Budget
Salaries	101,788,836	103,771,318	108,726,695
Services	14,783,351	16,843,778	18,509,449
Materials and Supplies	8,841,086	8,475,072	9,193,584
Fringe Benefits	34,883,478	37,181,002	38,733,643
Transfers and Miscellaneous	5,496,204	3,684,126	5,844,097
Debt Service	7,767,477	1,055,618	1,055,618
Street, Sewer, Bridge Improvement	0	5,329	5,329
Capital Outlay	<u>763,531</u>	<u>891,926</u>	<u>362,353</u>
Total	174,323,963	171,908,169	182,430,768

General Fund Financing (Revenue By Source)			
Source	2006 Actual	2007 Adopted Budget	2008 Adopted Budget
Use of or (Contribution to) Fund Balance	(3,017,817)	0	0
Transfers	19,692,272	18,055,634	17,730,693
Taxes	46,859,503	46,711,020	57,053,961
Licenses and Permits	925,299	982,443	928,200
Intergovernmental Revenue	63,746,052	63,542,411	63,525,444
Fees, Sales and Services	14,903,307	16,807,077	16,012,612
Enterprise and Utility Revenues	18,524,266	22,127,308	23,270,386
Other Revenue Sources	<u>11,277,824</u>	<u>3,682,276</u>	<u>3,909,472</u>
Total	172,910,706	171,908,169	182,430,768

General Fund Budget

2008 Adopted Spending By Major Object



2008 Adopted Revenue By Source

