

# General Fund

# General Fund – 2010 Proposed 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 proposed 2009 spending and financing plan.

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## Financing Highlights

The major financing sources for this fund are:

- ❖ Property taxes – 32.6%
- ❖ State aids (incl. Local Government Aid) – 31.6%
- ❖ Franchise fees – 12.4%
- ❖ Other revenues, aids, and user fees – 23.4%

**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 proposed 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 proposed 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 proposed budget for 2010 includes a 10% increase in transport fees.

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## Budget Issues and Challenges

**Rate of Spending Growth:** Saint Paul's General Fund budget as proposed will decrease by \$2.7 million, or 1.4% relative to 2009. The declining growth 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 33% 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 63<sup>rd</sup> 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 proposed budget.

# General Fund Budget

| General Fund Balances<br>(Revenues & Sources and Expenditures & Uses of Funds) |                |                |                |                           |                            |
|--------------------------------------------------------------------------------|----------------|----------------|----------------|---------------------------|----------------------------|
|                                                                                | 2006<br>Actual | 2007<br>Actual | 2008<br>Actual | 2009<br>Adopted<br>Budget | 2010<br>Proposed<br>Budget |
| Beginning Balances - (f)                                                       | 27,254,757     | 30,272,574     | 34,979,592     | 32,002,122                | 34,705,906                 |
| Revenues and Sources                                                           |                |                |                |                           |                            |
| Transfers In                                                                   | 19,692,272     | 17,651,528     | 19,661,742     | 22,000,182                | 20,502,825                 |
| Property Taxes                                                                 | 46,014,519     | 46,624,315     | 56,078,047     | 56,944,136                | 61,964,700                 |
| Other Taxes                                                                    | 844,984        | 884,298        | 1,137,459      | 1,634,000                 | 1,511,000                  |
| Licenses and Permits                                                           | 925,299        | 955,820        | 697,259        | 896,013                   | 1,035,000                  |
| Intergovernmental                                                              | 63,746,052     | 63,829,793     | 57,688,930     | 69,301,209                | 61,586,322                 |
| Fees, Sales and Services                                                       | 14,903,307     | 15,804,689     | 17,995,683     | 19,577,504                | 20,403,089                 |
| Franchise Fees                                                                 | 18,524,266     | 22,127,647     | 22,137,022     | 22,906,342                | 22,956,532                 |
| Interest Earned:                                                               |                |                |                |                           |                            |
| On Investments                                                                 | 3,381,982      | 3,798,214      | 3,083,717      | 2,690,034                 | 2,690,034                  |
| On Securities Lending Transactions                                             | 6,821,378      | 6,242,385      | 2,390,506      | 0                         | 0                          |
| Inc (Dec) in Fair Market Value of Investment:                                  | 17,905         | 818,105        | 1,210,310      | 0                         | 0                          |
| Miscellaneous                                                                  | 1,056,559      | 4,891,433      | 4,333,844      | 1,706,007                 | 2,311,626                  |
| Total                                                                          | 175,928,523    | 183,628,227    | 186,414,519    | 197,655,427               | 194,961,128                |
| Expenditures and Uses (a)                                                      |                |                |                |                           |                            |
| Attorney                                                                       | 5,616,443      | 5,840,353      | 6,332,106      | 6,399,367                 | 6,322,797                  |
| City Clerk (b)                                                                 | 534,010        | 230,026        |                |                           | 0                          |
| Council                                                                        | 2,355,730      | 2,311,169      | 2,666,475      | 2,946,606                 | 3,000,388                  |
| Emergency Management                                                           | 0              | 0              | 178,784        | 250,723                   | 252,429                    |
| Fire and Safety Services (b)                                                   | 44,724,660     | 44,721,035     | 47,043,705     | 51,161,056                | 52,700,027                 |
| General Government Accounts - Miscellaneous:                                   | 11,929,660     | 10,261,686     | 8,579,490      | 7,393,068                 | 7,589,095                  |
| Libraries                                                                      | 0              | 0              | 0              | 0                         | 0                          |
| Executive Administration (c) (d)                                               | 7,412,110      | 6,850,318      | 7,260,711      | 6,931,414                 | 6,342,310                  |
| Human Rights and Equal Economic Opportunity (d)                                | 0              | 0              | 0              | 1,353,742                 | 1,370,164                  |
| Neighborhood Housing and Property Improvement (b)                              | 4,185,299      | 0              | 0              | 0                         | 0                          |
| Parks & Recreation                                                             | 24,172,293     | 24,635,610     | 26,450,817     | 27,189,480                | 25,498,896                 |
| Planning and Economic Development (d)                                          | 0              | 0              | 0              | 0                         | 0                          |
| Police                                                                         | 64,722,404     | 68,617,503     | 74,016,611     | 76,256,271                | 74,793,286                 |
| Public Works                                                                   | 1,537,719      | 1,505,423      | 1,564,280      | 1,765,560                 | 1,590,014                  |
| Safety and Inspection (b)                                                      | 0              | 6,039,529      | 6,919,551      | 6,955,635                 | 7,127,685                  |
| Technology                                                                     | 7,133,635      | 7,908,557      | 8,379,460      | 9,052,505                 | 8,374,037                  |
| Fringe Benefits                                                                | 0              | 0              | 0              | 0                         | 0                          |
| Interest on Securities Lending Transactions:                                   | 0              | 0              | 0              | 0                         | 0                          |
| Total                                                                          | 174,323,963    | 178,921,209    | 189,391,990    | 197,655,427               | 194,961,128                |
| Ending Balance                                                                 |                |                |                |                           |                            |
| Reserved                                                                       | 3,267,812      | 3,226,188      | 2,673,912      | 2,700,000                 | 2,500,000                  |
| Designated                                                                     | 27,004,762     | 31,728,623     | 29,328,210     | 31,290,497                | 31,955,680                 |
| Restored Fund Balance - (e)                                                    |                |                |                | 2,703,784                 |                            |
| Undesignated                                                                   |                | 24,781         |                | (1,988,375)               | 250,225                    |
| Total                                                                          | 30,272,574     | 34,979,592     | 32,002,122     | 34,705,906                | 34,705,906                 |

- a) For 2006 - 2008, no adjustments have been made to the historic expenditures and uses data to reflect any movement of organizational units among and between departments.
- b) In 2007, the Information and Complaint component of City Clerk, License, Inspection, and Environmental Protection (LIEP) and Neighborhood Housing and Property Improvement (NHPI) were merged with the Fire Department's Fire Inspection unit as the new Department of Safety and Inspection (DSI).
- c) Executive Administration includes: Financial Services, Human Resources, Human Rights (through 2008) and the Mayor's Office
- d) 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 will be merged to create the Human Rights and Equal Economic Opportunity (HREEO) department.
- e) In December 2008, the State of MN unallotted Local Government Aid to help reduce state expenditures to meet revenue projections. The City used fund balance as short-term measure to meet spending for the last two weeks of 2008. In 2009 cost saving measures were enacted to restore the fund balance to a level that meets City policy. As a result, the 2009 fund balance is \$2,703,784 higher than year-end 2008.

## General Fund Budget

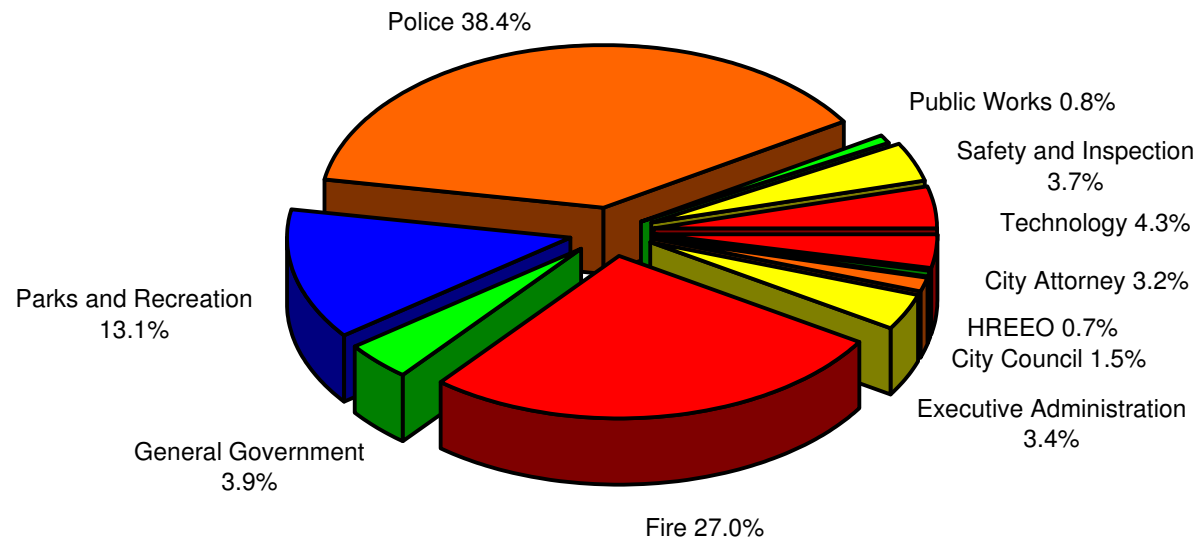
| General Fund Spending<br>(By Department)                    |                |                           |                            |
|-------------------------------------------------------------|----------------|---------------------------|----------------------------|
| Department/Office                                           | 2008<br>Actual | 2009<br>Adopted<br>Budget | 2010<br>Proposed<br>Budget |
| Attorney                                                    | 6,332,106      | 6,399,367                 | 6,322,797                  |
| 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                                    | 47,043,705     | 51,161,056                | 52,700,027                 |
| General Government Accounts                                 | 8,579,490      | 7,393,068                 | 7,589,095                  |
| 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                | 25,498,896                 |
| Planning and Economic Development                           | 0              | 0                         | 0                          |
| Police                                                      | 74,016,611     | 76,256,271                | 74,793,286                 |
| Public Works                                                | 1,564,280      | 1,765,560                 | 1,590,014                  |
| Safety and Inspection                                       | 6,919,551      | 6,955,635                 | 7,127,685                  |
| Technology                                                  | 8,379,460      | 9,052,505                 | 8,374,037                  |
| Total                                                       | 189,391,990    | 197,655,427               | 194,961,128                |

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.

# General Fund Budget

2010 Proposed Spending by Department



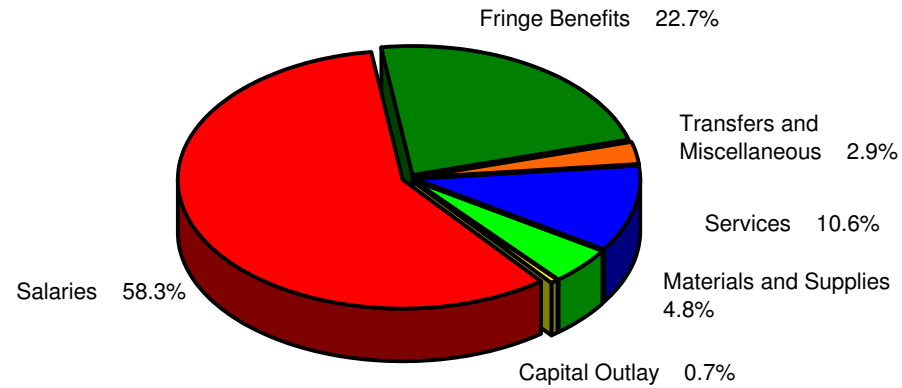
## General Fund Budget

| General Fund Spending<br>(By Major Object) |                  |                           |                            |
|--------------------------------------------|------------------|---------------------------|----------------------------|
| Object                                     | 2008<br>Actual   | 2009<br>Adopted<br>Budget | 2010<br>Proposed<br>Budget |
| Salaries                                   | 108,574,189      | 115,426,368               | 113,635,661                |
| Services                                   | 20,521,392       | 19,994,159                | 20,697,819                 |
| Materials and Supplies                     | 10,142,879       | 9,782,020                 | 9,426,682                  |
| Fringe Benefits                            | 40,049,190       | 43,077,692                | 44,188,684                 |
| Transfers and Miscellaneous                | 4,529,700        | 8,853,504                 | 5,709,899                  |
| 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               | 194,961,128                |

| General Fund Financing<br>(Revenue By Source) |                   |                           |                            |
|-----------------------------------------------|-------------------|---------------------------|----------------------------|
| Source                                        | 2008<br>Actual    | 2009<br>Adopted<br>Budget | 2010<br>Proposed<br>Budget |
| Use of or (Contribution to) Fund Balance      | 2,977,471         | 0                         | 0                          |
| Transfers                                     | 19,661,742        | 22,000,182                | 20,502,825                 |
| Taxes                                         | 57,215,506        | 58,578,136                | 63,475,700                 |
| Licenses and Permits                          | 697,259           | 896,013                   | 1,035,000                  |
| Intergovernmental Revenue                     | 57,688,930        | 69,301,209                | 61,586,322                 |
| Fees, Sales and Services                      | 17,995,683        | 19,577,504                | 20,403,089                 |
| Enterprise and Utility Revenues               | 22,137,022        | 24,165,140                | 24,288,330                 |
| 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               | 194,961,128                |

## General Fund Budget

### 2010 Proposed Spending By Major Object



### 2010 Proposed Revenue By Source

