

City General Fund

General Fund – 2022 Mayor’s Proposed Budget

Purpose: The General Fund is the principal financial support for such basic services as the police and fire departments, parks and recreation, and general government operations (e.g., Mayor and City Council, human resources, finance, and other internal services). The major revenue sources for this fund are property taxes, local government aid (LGA), franchise fees, and other general revenues. The tables and graphs on the following pages detail the General Fund’s proposed 2022 spending and revenue plan.

Budget Highlights, Issues, and Challenges

COVID-19 Pandemic: The COVID-19 pandemic continues to impact many aspects of daily life. The impacts on the City of Saint Paul budget linger. The pandemic prompted changes to behavior and spending patterns, significantly reducing City revenues in 2020 and 2021.

This budget assumes many of these impacts will continue into 2022. Projections reflect declines in major General Fund revenues compared to pre-pandemic levels. Revenue uncertainty remains around the impacts stemming from hybrid work and emerging variants of the virus.

As a result of these revenue impacts, the 2021 budget included \$8 million in spending reductions. In 2022, American Rescue Plan (ARP) Act funding allowed for the restoration of \$2.2 million in Library and Parks and Recreation services. The 2022 budget also adds \$3.3 million in ARP funds for financial stabilization in the General Fund.

Current Service Level Adjustments: Summary sections for each department indicate current service level adjustments, including spending and revenue to maintain a department’s same services as the previous year. Inflationary pressures including cost of living allowances built into union contracts and rising employee health care costs drive the increased cost of service delivery.

The City must continue to find ways to manage these costs prudently and responsibly to maintain service delivery, as well as ensure the integrity of the City’s finances. The largest

General Fund expense is employee wages and benefits – over 80% of all City General Fund spending is for personnel costs.

The cost of other goods and services also continues to rise, putting pressure on department budgets.

Property Tax Base and Levy: Over 80% of Saint Paul’s local property tax base consists of residential properties, including both owner-occupied and rental units. Historically, as the home to many tax-exempt educational, medical, and state government institutions, about 20% of the City’s property has been exempted entirely from paying property taxes.

The proposed budget includes a 6.9% increase in the property tax levy. The total 2022 proposed levy is \$176.6 million. The General Fund receives 77% of the levy. The Library Agency receives 11% of the levy. City debt service accounts for 11% of the levy, with the remainder levied on behalf of the Saint Paul Port Authority.

The 2022 proposed budget assumes 2% property tax non-payment, returning to the assumption in the 2020 adopted budget. The 2021 adopted budget assumed 3% non-payment due to economic conditions.

Property taxes in the General Fund make up 41.5% of the fund’s total revenue.

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State Budget Decisions and LGA: The future of state Local Government Aid (LGA) remains a key variable in the City’s ability to provide basic services. LGA represents a significant revenue source for the City’s General Fund, accounting for over 22% of general fund revenues.

Two significant sets of reductions to LGA in 2003 and 2008-09 resulted in a series of reductions to City services. The lack of predictability negatively challenged the City’s ability to plan from year to year. The anticipated LGA in 2003 for Saint Paul was over \$76 million. LGA received by the City fell to its lowest point in 2010 at around \$50 million.

The 2022 budget anticipates nearly \$72 million in LGA, about a \$1 million increase compared to 2021. If the LGA amount in 2003 had grown by the rate of inflation, the 2022 LGA amount would be nearly \$127 million.

Recent increases in LGA renew the state and local fiscal relationship, helping to make local budget planning and service delivery more predictable for the residents of Saint Paul.

Other Major General Fund Revenues:

In addition to property taxes and LGA, major revenue sources for this fund are:

- ❖ Franchise fees – 8%
- ❖ Other revenues, aids, and user fees – 28.5%

Maintaining Adequate Financial Reserves: From 1994 to 2005, the City spent from its General Fund balance to finance a share of the annual operating budget. These actions decreased the fund balance from its peak in 1998 of 31% of subsequent year spending 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 LGA cuts in 2008 through 2011, the City continued to comply with the adopted fund balance policy. For example, in 2020, the City resolved a mid-year COVID-related budget deficit of over \$22 million without using fund balance.

The 2022 proposed budget maintains compliance with the City fund balance policy. The 2021 adopted and 2022 proposed budgets use a combination of ongoing and one-time solutions to balance the budget.

The City assumes over the long-term that the impacted revenues will start to see a slow recovery starting in 2021 continuing in 2022.

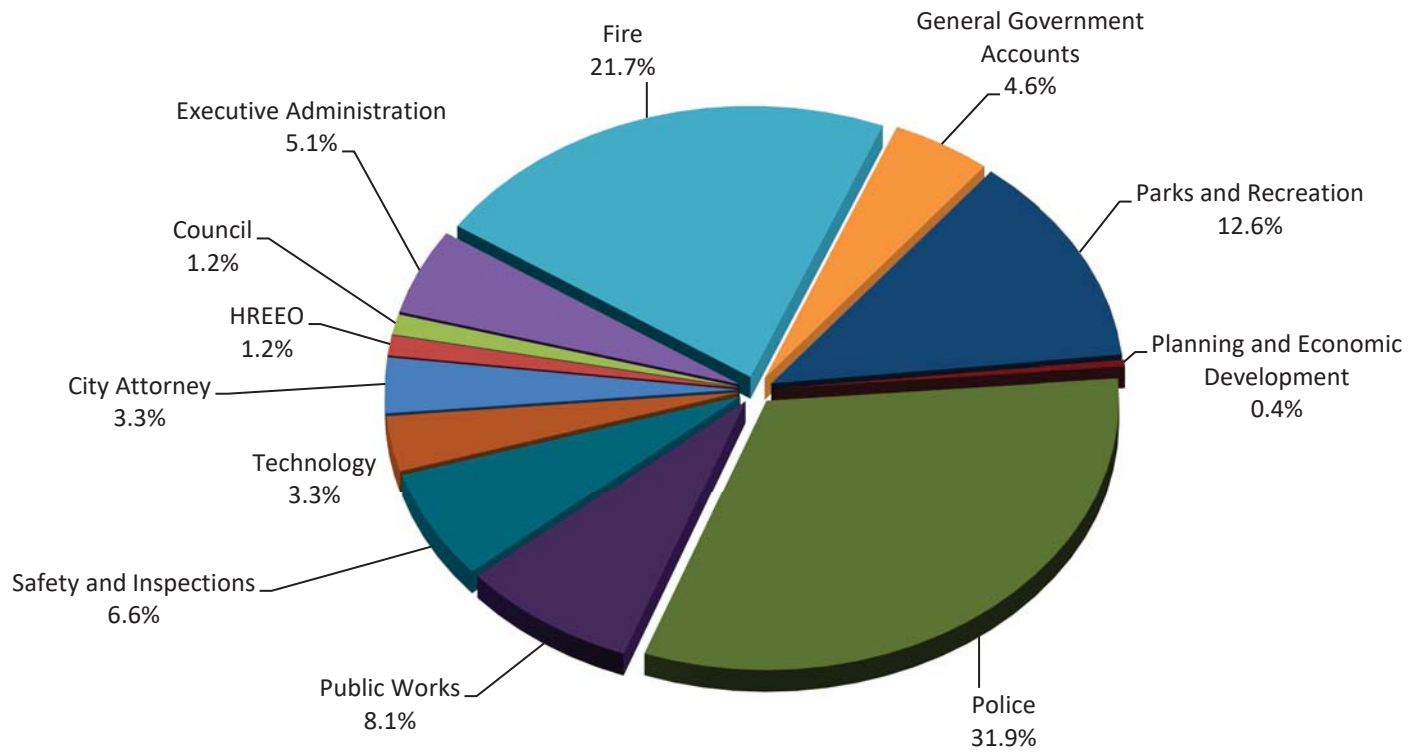
General Fund Budget

| General Fund Spending (By Department) | | | |
|--|----------------|---------------------------|----------------------------|
| Department/Office | 2020 Actual | 2021 Adopted Budget | 2022 Proposed Budget |
| City Attorney | 8,837,765 | 9,140,520 | 10,600,549 |
| Council | 3,525,662 | 3,821,912 | 3,924,040 |
| Emergency Management | 1,122,801 | 479,855 | 5,139,499 |
| Financial Services | 4,857,042 | 4,184,409 | 4,067,098 |
| Fire and Safety Services | 66,211,456 | 68,052,502 | 70,657,039 |
| General Government Accounts | 10,842,154 | 11,557,141 | 14,830,811 |
| HREEO | 2,919,217 | 3,375,131 | 3,784,689 |
| Human Resources | 4,379,262 | 4,975,635 | 5,139,555 |
| Mayor's Office | 1,890,861 | 2,089,775 | 2,469,628 |
| Parks and Recreation | 37,229,996 | 39,563,374 | 41,118,437 |
| Planning and Economic Development | 0 | 0 | 1,185,000 |
| Police | 103,452,023 | 104,781,781 | 104,027,529 |
| Public Works | 28,493,425 | 28,816,044 | 26,511,140 |
| Safety and Inspection | 19,782,863 | 20,050,602 | 21,507,117 |
| Technology | 11,868,691 | 12,516,429 | 10,611,566 |
| Total | 305,413,218 | 313,405,109 | 325,573,697 |

General Fund Budget

2022

Proposed Spending by Department



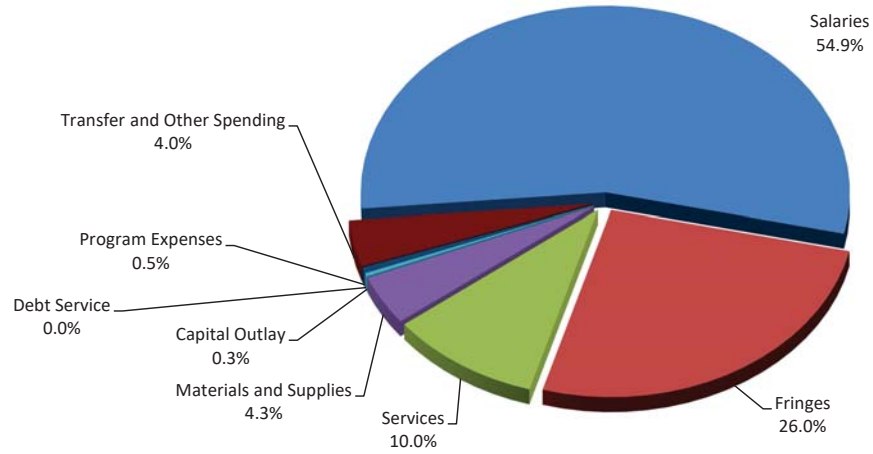
General Fund Budget

| General Fund Spending (By Major Account) | | | |
|---|--------------------|---------------------------|----------------------------|
| | 2020 Actual | 2021 Adopted Budget | 2022 Proposed Budget |
| Object | | | |
| Salaries | 164,029,917 | 170,493,497 | 178,834,020 |
| Fringes | 73,800,534 | 80,131,814 | 84,597,663 |
| Services | 33,749,623 | 31,017,734 | 32,530,872 |
| Materials and Supplies | 14,473,776 | 15,694,460 | 13,962,130 |
| Capital Outlay | 1,816,384 | 786,472 | 786,472 |
| Debt Service | 7,580 | 129,606 | 129,606 |
| Program Expenses | 1,240,682 | 1,539,571 | 1,689,571 |
| Transfer and Other Spending | 16,294,722 | 13,611,955 | 13,043,363 |
| Total | <u>305,413,218</u> | <u>313,405,109</u> | <u>325,573,697</u> |

| General Fund Financing (Revenue By Source) | | | |
|---|--------------------|---------------------------|----------------------------|
| | 2020 Actual | 2021 Adopted Budget | 2022 Proposed Budget |
| Source | | | |
| Taxes | 128,894,386 | 126,331,098 | 136,319,427 |
| Fees, Sales and Services | 38,401,260 | 42,372,995 | 45,963,624 |
| Franchise Fees | 28,825,422 | 25,528,490 | 25,235,217 |
| Fines and Forfeitures | 137,663 | 51,500 | 63,500 |
| Intergovernmental Revenue | 85,491,462 | 86,070,146 | 87,761,612 |
| Assessments | 80,213 | - | 26,700 |
| Interest | 2,596,556 | 1,064,608 | 1,064,608 |
| License and Permits | 12,211,545 | 12,421,872 | 12,511,757 |
| Transfers and Other Financing | 16,070,082 | 19,564,399 | 16,627,252 |
| Total | <u>312,708,588</u> | <u>313,405,109</u> | <u>325,573,697</u> |

General Fund Budget

2022 Proposed Spending By Major Object



2022 Proposed Revenue By Source

