

City General Fund

City of Saint Paul General Fund Highlights 2023 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 2023 spending and revenue plan.

Budget Highlights, Issues, and Challenges

Street Maintenance Program: As a result of a May 2022 court decision, the City's approach to budgeting for some types of street maintenance costs will in change in the 2023 budget. The budgets for street sweeping, street lighting, and seal coating will be moved to the General Fund. The net impact of these changes is \$13.3 million and requires a 7.74% increase in the City's property tax levy. Tax exempt properties, like hospitals and colleges and universities, will no longer pay fees for these services, putting additional pressure on Saint Paul's tax base.

COVID-19 Pandemic: The impacts of the COVID-19 pandemic on the City of Saint Paul budget linger. The pandemic prompted changes to behavior and spending patterns, significantly reducing City revenues.

This budget assumes many of these impacts will continue into 2023. Projections reflect continued weakness in major general fund revenues like parking fees, lodging taxes, and special event permits.

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 added \$3.3 million in ARP funds for financial stabilization in the General Fund. In 2023, these Library services move back to the property tax levy. Parks and Recreation restorations remain funded by ARP in 2023. The 2023 budget also continues with \$3.3 million in 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 – about 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. The U.S. annual inflation rate in June of 2022 was 9.1%, driving up the City's costs of providing essential services to its residents.

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 total 15.34% increase in the property tax levy. Of this levy increase, more than half (7.74%) is needed to cover the costs of street maintenance services shifting to the General Fund. The remaining 7.6% increase is

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needed for general city operations. The total 2023 proposed levy is \$202.3 million. The General Fund receives 78% of the levy. The Library Agency receives 11% of the levy. City debt service accounts for 10% of the levy, with the remainder levied on behalf of the Saint Paul Port Authority. The 2023 proposed budget assumes 2% property tax non-payment.

Property taxes in the General Fund make up 46.8% of the fund's total revenue.

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 19.5% 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 2023 budget anticipates nearly \$73 million in LGA, an increase of about \$900,000 compared to 2022.

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 – 27.6%

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. In 2020, the City resolved a mid-year COVID-related budget deficit of over \$22 million without using fund balance.

The 2023 proposed budget maintains compliance with the City fund balance policy. The 2021 adopted and 2022 adopted budgets used a combination of ongoing and one-time solutions to balance the budget.

The City assumes over the long-term that impacted revenues will continue the recovery started in 2021, allowing the City to replace one-time budget solutions with ongoing sustainable revenues in the future.

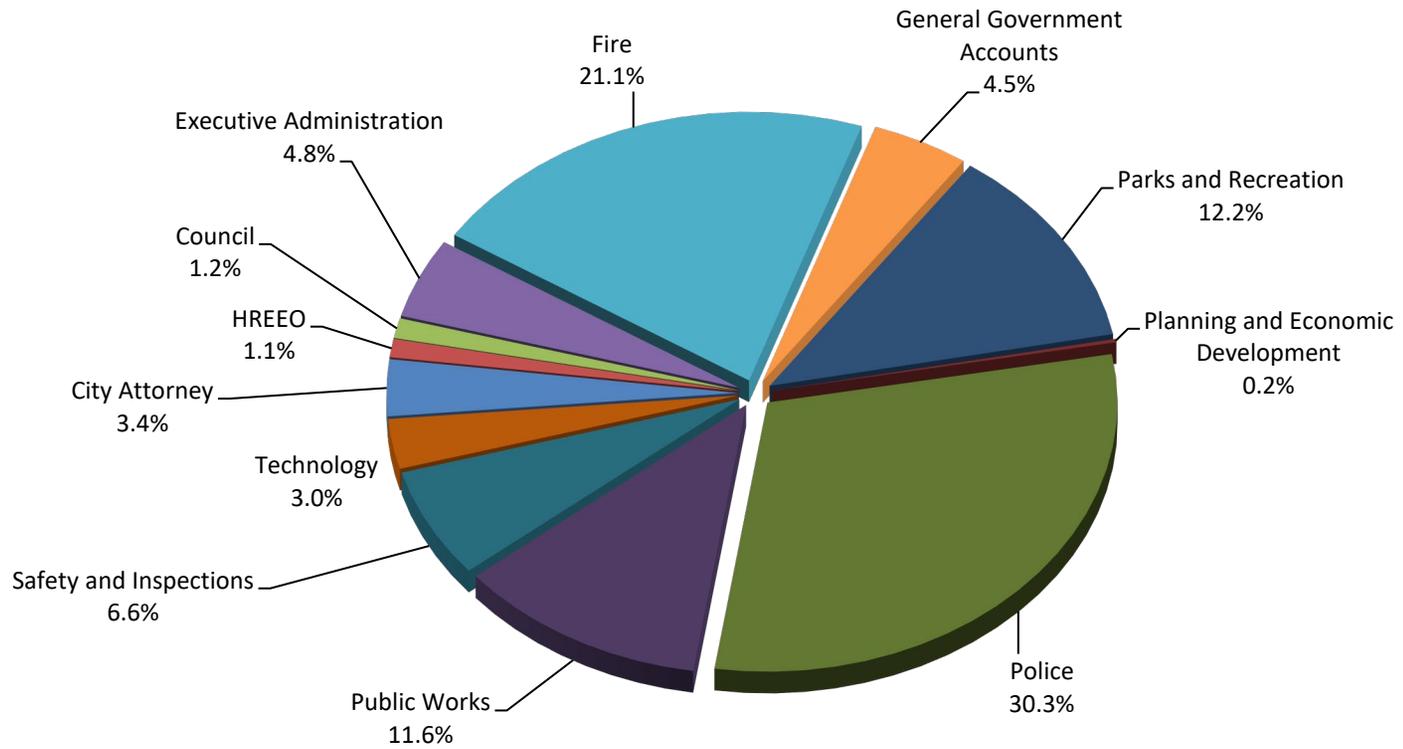
General Fund Budget

General Fund Spending (By Department)			
Department/Office	2021 Actual	2022 Adopted Budget	2023 Proposed Budget
City Attorney	8,579,092	10,622,073	12,046,522
Council	3,649,078	3,824,299	4,185,903
Emergency Management	497,769	5,139,499	5,250,811
Financial Services	4,706,048	4,067,099	4,072,461
Fire and Safety Services	70,120,779	70,657,038	74,509,998
General Government Accounts	11,760,258	14,776,811	15,973,956
HREEO	2,597,065	3,784,689	3,879,270
Human Resources	4,854,237	5,139,556	5,248,866
Mayor's Office	2,029,738	2,169,628	2,378,713
Parks and Recreation	39,285,879	41,118,438	42,963,873
Planning and Economic Development	0	349,132	549,132
Police	107,574,083	104,027,528	106,622,201
Public Works	27,862,237	26,775,923	40,885,003
Safety and Inspection	19,390,491	21,107,116	23,334,949
Technology	<u>12,231,159</u>	<u>10,622,042</u>	<u>10,590,847</u>
Total	315,137,912	324,180,871	352,492,505

General Fund Budget

2023

Proposed Spending by Department



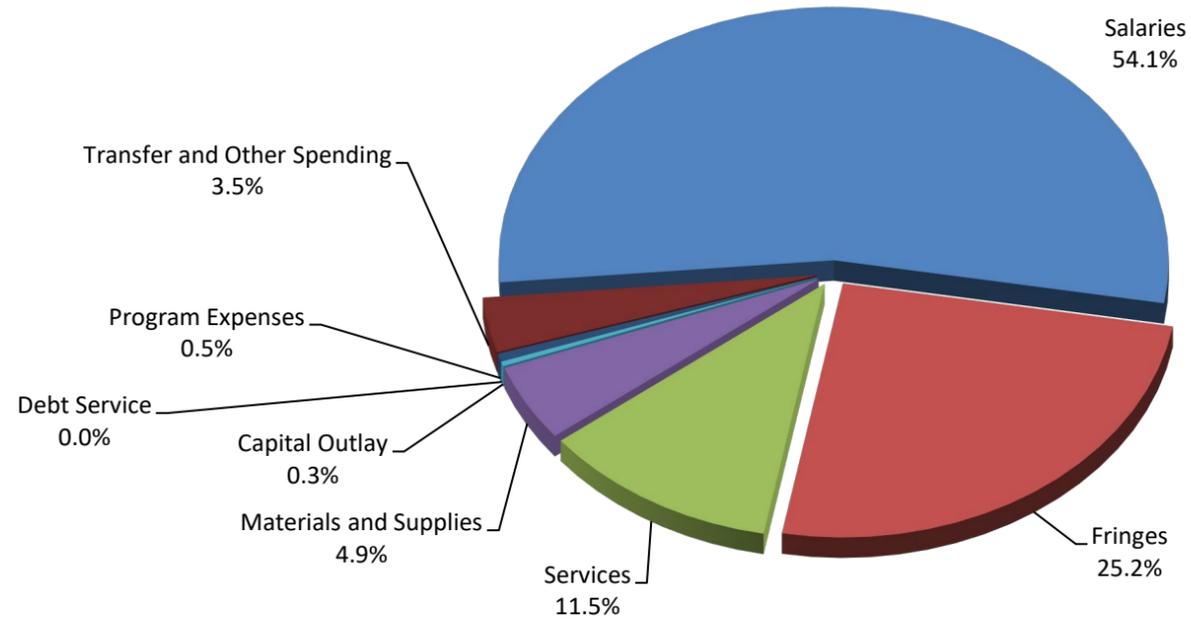
General Fund Budget

General Fund Spending (By Major Account)			
Object	2021 Actual	2022 Adopted Budget	2023 Proposed Budget
Salaries	174,150,111	176,158,074	190,777,396
Fringes	76,358,894	83,380,935	88,688,716
Services	34,838,865	35,687,300	40,508,861
Materials and Supplies	14,939,271	13,944,770	17,349,380
Capital Outlay	1,409,197	786,472	920,472
Debt Service	7,638	66,987	146,987
Program Expenses	1,385,355	1,689,571	1,689,571
Transfer and Other Spending	12,048,580	12,466,762	12,411,122
Total	<u>315,137,912</u>	<u>324,180,869</u>	<u>352,492,505</u>

General Fund Financing (Revenue By Source)			
Source	2021 Actual	2022 Adopted Budget	2023 Proposed Budget
Taxes	129,275,101	135,105,342	158,435,140
Fees, Sales and Services	41,059,924	44,531,298	48,384,614
Franchise Fees	26,186,737	26,014,223	26,740,000
Fines and Forfeitures	108,337	63,500	63,500
Intergovernmental Revenue	86,251,906	88,278,512	89,817,859
Assessments	0	26,700.00	26,700
Interest	1,921,779	1,064,608	1,700,000
License and Permits	14,011,945	12,746,757	13,433,790
Transfers and Other Financing	11,428,127	16,349,927	13,890,902
Total	<u>310,243,857</u>	<u>324,180,869</u>	<u>352,492,505</u>

General Fund Budget

2023 Proposed Spending By Major Object



2023 Proposed Revenue By Source

