

City General Fund

General Fund – 2018 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, franchise fees, and other general revenues. The tables and graphs on the following pages detail the General Fund's proposed 2018 spending and revenue plan.

Financing Highlights

The major financing sources for this fund are:

- ❖ Property Taxes – 36.4% (40.0% incl Library Agency)
- ❖ Local Gov't Aid – 22.5% (21.2% incl Library Agency)
- ❖ Franchise fees – 8.8%
- ❖ Other revenues, aids, and user fees – 32.2%

Local Government Aid (LGA): Local Government Aid has been generally lower and less predictable since state aid cuts began in 2003. Saint Paul benefitted from a significant restoration of LGA in 2014 of \$10.1 million, followed by small annual increases from 2014 through 2017. The 2018 proposed budget includes a \$2.5 million increase in LGA, based on the omnibus tax bill approved by the governor and legislature at the end of the 2017 legislative session.

Even after these increases, LGA is still \$11 million less than the amount certified in 2003, and \$48 million less than the 2003 certified amount after adjusting for inflation.

Property Tax Levy: Financing for the adopted budget includes a 23.9% increase in the property tax levy. The total 2018 proposed levy is \$141.3 million. 77% of the levy will finance General Fund operations and 13% is for the Library Agency. The remainder is used for City debt service or is levied on behalf of the Saint Paul Port Authority.

Approximately \$22 million of the 2018 proposed levy increase will cover costs formerly recovered through the right-of-way (ROW) maintenance assessment.

City Franchise Fees: 2018 revenue increases by \$50,000 over the 2017 budget based on recent performance. Franchise fees have experienced steady and consistent results with minimal growth over the past several years.

Paramedic Fees: The proposed budget includes a \$350,000 increase in paramedic fee revenue. Paramedic run volumes continue to increase; and while many of Saint Paul's EMS runs are reimbursed at a lower Medicare/Medicaid rate, paramedic collections have still been trending higher than budget in 2016 and 2017.

Budget Issues and Challenges

Street Maintenance Program: In late 2016, the Minnesota State Supreme Court ruled that Saint Paul could no longer recover costs for many street maintenance services using the right-of-way (ROW) maintenance assessment. Until 2017, the ROW program funded essential City services, including snow plowing, pothole patching, and tree trimming through an assessment on all properties in Saint Paul.

Beginning with the 2018 proposed budget, many street maintenance services will now be funded out of the City's General Fund, adding \$21 million in net costs to the General Fund. Tax exempt properties will no longer pay fees for those services, putting additional pressure on the Saint Paul tax base.

About one-third of the former ROW budget – including street lighting, street sweeping, and sidewalk and street repairs – will remain as fee for service programs in the Street Maintenance Program fund.

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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. These include both inflationary adjustments, such as cost of living allowances, and adjustments that reflect historical spending patterns, including fringe benefits and non-personnel expenses.

Rate of Spending Growth: Saint Paul’s General Fund budget as proposed will increase by \$36.2 million, or 14.4% relative to 2017. Approximately \$21 million of this growth is related to the elimination of the right-of-way maintenance program. The budget funds inflation related to existing services, and also includes increases in police officer complements, strategic redeployment of existing Fire department resources, and sound investments in technology upgrades and modernization.

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, just over 50% of the City’s local property tax levy (excluding fiscal disparities) falls on residential property. Historically, as the home to many tax-exempt educational, medical, and state government institutions, about 25% of the city’s property has been exempted entirely from paying city property taxes.

State Budget Decisions and LGA: Local Government Aid is a significant revenue source for the City’s General Fund, accounting for 22.5% of General Fund revenues (21.2% 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. Recent increases in LGA are 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.) impact the cost of service delivery. The City must continue to find ways to prudently and responsibly manage these costs in order 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 – 80% of all General Fund spending is for personnel costs. The 2018 budget includes a significant amount of cost containment that prudently and responsibly manages costs while preserving service delivery for Saint Paul residents and business owners.

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 2018 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.

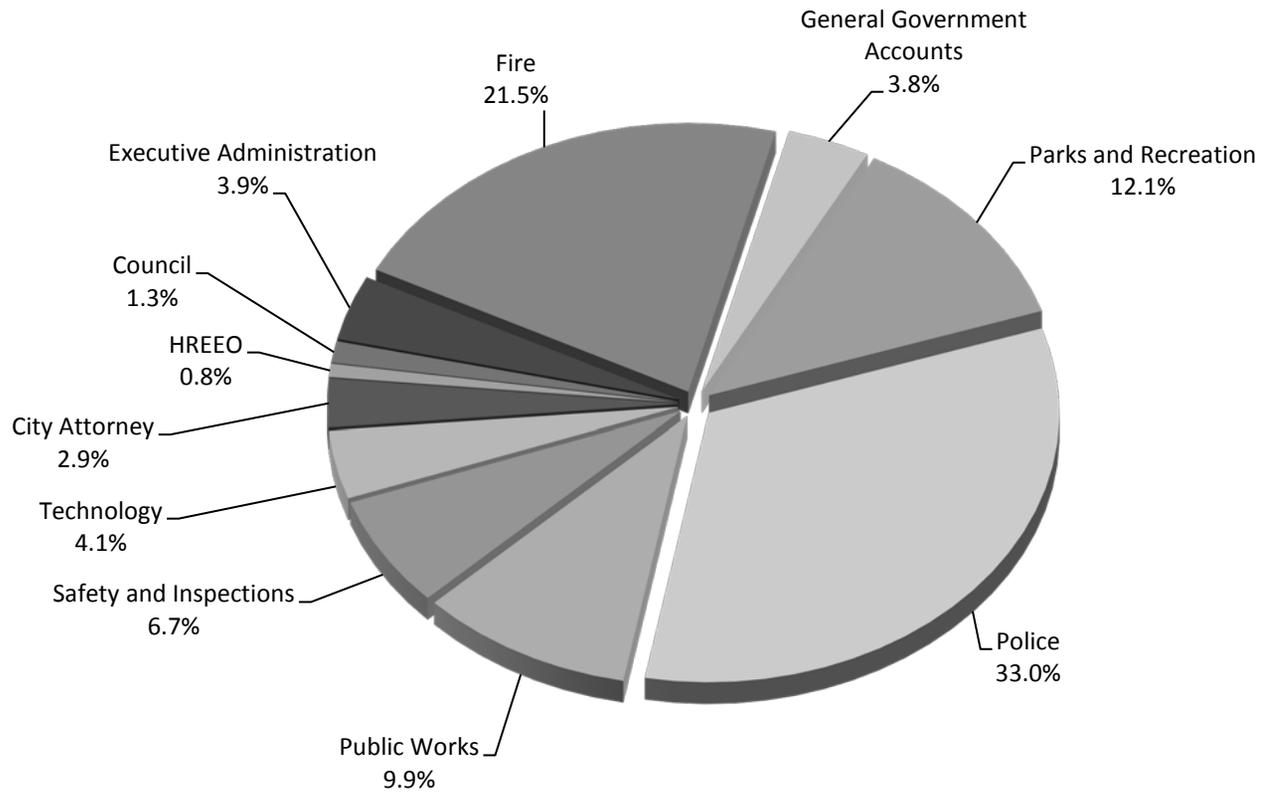
General Fund Budget

General Fund Spending (By Department)			
Department/Office	2016 Actual	2017 Adopted Budget	2018 Proposed Budget
City Attorney	7,791,421	8,276,653	8,454,991
Council	3,226,770	3,436,050	3,626,473
Emergency Management	418,277	428,047	426,386
Financial Services	3,470,788	3,933,030	3,967,959
Fire and Safety Services	59,442,481	60,192,446	61,935,790
General Government Accounts	9,806,473	11,010,609	11,100,160
HREEO	2,495,055	2,323,905	2,299,632
Human Resources	4,201,613	4,722,897	4,947,808
Mayor's Office	1,948,737	1,940,790	1,963,065
Parks and Recreation	28,665,732	31,217,286	34,806,857
Police	90,046,117	91,009,317	95,260,436
Public Works	2,210,716	3,193,025	28,734,760
Safety and Inspection	18,088,352	19,134,293	19,391,311
Technology	11,618,447	11,567,277	11,751,575
Total	<u>243,430,978</u>	<u>252,385,623</u>	<u>288,667,202</u>

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2018

Proposed Spending by Department



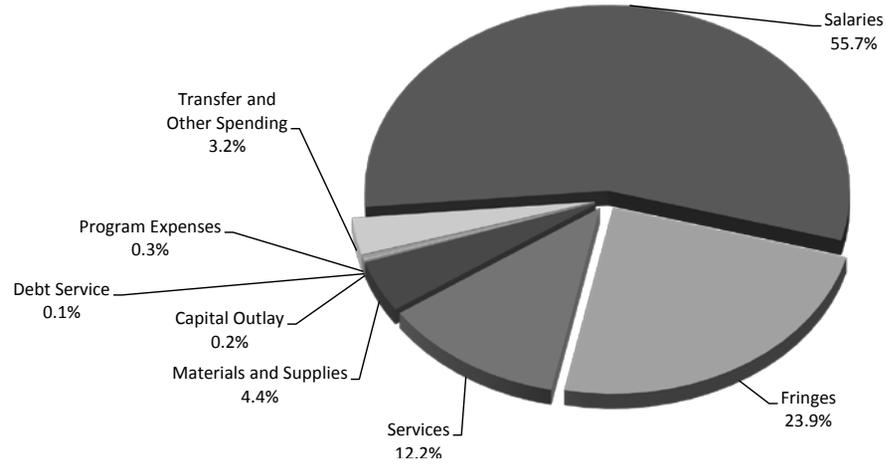
General Fund Budget

General Fund Spending (By Major Account)			
	2016 Actual	2017 Adopted Budget	2018 Proposed Budget
Object			
Salaries	140,743,935	144,556,646	160,857,878
Fringes	58,826,763	61,061,147	68,975,977
Services	30,687,970	28,360,077	35,196,439
Materials and Supplies	9,312,035	9,568,677	12,892,234
Capital Outlay	243,737	416,246	514,273
Debt Service	67,951	66,937	150,689
Program Expenses	829,827	846,267	846,267
Transfer and Other Spending	2,718,760	7,509,626	9,233,445
Total	<u>243,430,978</u>	<u>252,385,623</u>	<u>288,667,202</u>

General Fund Financing (Revenue By Source)			
	2016 Actual	2017 Adopted Budget	2018 Proposed Budget
Source			
Taxes	77,674,376	83,259,099	109,322,063
Fees, Sales and Services	42,325,912	42,798,359	45,850,078
Franchise Fees	25,324,225	25,466,879	25,516,879
Fines and Forfeitures	109,250	77,000	73,500
Intergovernmental Revenue	74,907,285	74,583,282	83,077,238
Assessments	239,022	-	-
Interest	1,451,595	2,365,034	2,365,034
License and Permits	10,591,249	11,752,899	11,790,543
Transfers and Other Financing	9,617,313	12,083,071	10,671,867
Total	<u>242,240,227</u>	<u>252,385,623</u>	<u>288,667,202</u>

General Fund Budget

2018 Proposed Spending By Major Object



2018 Proposed Revenue By Source

