

City General Fund

General Fund – 2019 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 2019 spending and revenue plan.

Revenue Highlights

The major revenue sources for this fund are:

- ❖ Property Taxes – 39% (42% including the Library)
- ❖ Local Government Aid – 21% (20% including the Library)
- ❖ Franchise fees – 9%
- ❖ Other revenues, aids, and user fees – 32%

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 budget included 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. The Legislature did not increase the LGA appropriation during the 2018 session. The 2019 proposed budget includes a small formula-driven LGA increase of 0.2% over 2018 levels.

Even after these increases, LGA is still \$11 million less than the amount certified in 2003, and \$55 million less than the 2003 certified amount after adjusting for inflation.

Property Tax Levy: Financing for the proposed budget includes an 11.5% increase in the property tax levy. The total 2019 proposed levy is \$157.5 million. 77% of the levy will finance General Fund operations and 12% is for the Library Agency. The remainder is used for City debt service or is levied on behalf of the Saint Paul Port Authority.

City Franchise Fees: 2019 revenue increases by \$500,000 over the 2018 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 \$500,000 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 2018.

Budget Issues and Challenges

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 are largely driven by inflationary pressures on wages and benefits, such as cost of living allowances built into union contracts, and the rising costs of employee health care. In the 2018 session, the legislature approved a 0.75% increase to the employer contribution to public safety pensions. This change resulted in \$710,000 in new costs in the 2019 Police and Fire budgets.

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Rate of Spending Growth: Saint Paul's General Fund budget as proposed will increase by \$17 million, or 5.9% relative to 2018. More than \$9 million of this growth is related to higher employee wage and benefits costs per negotiated employee group contracts. The budget includes key investments for families and children, enhances Police and Fire responsiveness, and significantly expands street maintenance 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, about 60% 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 22% of the City's property has been exempted entirely from paying city property taxes.

State Budget Decisions and LGA: Local Government Aid (LGA) is a significant revenue source for the City's General Fund, accounting for 21% of General Fund revenues (20% when combined with the Library). While the total share of the City budget dependent on state payments has dropped significantly since 2003, the future of state LGA remains a key variable in the City's ability to provide basic services. Starting in late 2008, the State unallotted or otherwise cut Saint Paul's LGA by more than \$45 million over a four year period. This caused a series of budget challenges, and reductions to 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 residents 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 – 79% of all General Fund spending is for personnel costs. The 2019 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 LGA cuts in 2008, 2009, 2010 and 2011, the City continues to comply with the adopted fund balance policy – including solving a 2011 mid-year budget deficit of over \$15 million without using fund balance.

The 2019 proposed budget maintains compliance with the City fund balance policy. The budget continues to follow financial management best practices by maintaining structural balance without relying on one-time resources to fund ongoing spending commitments.

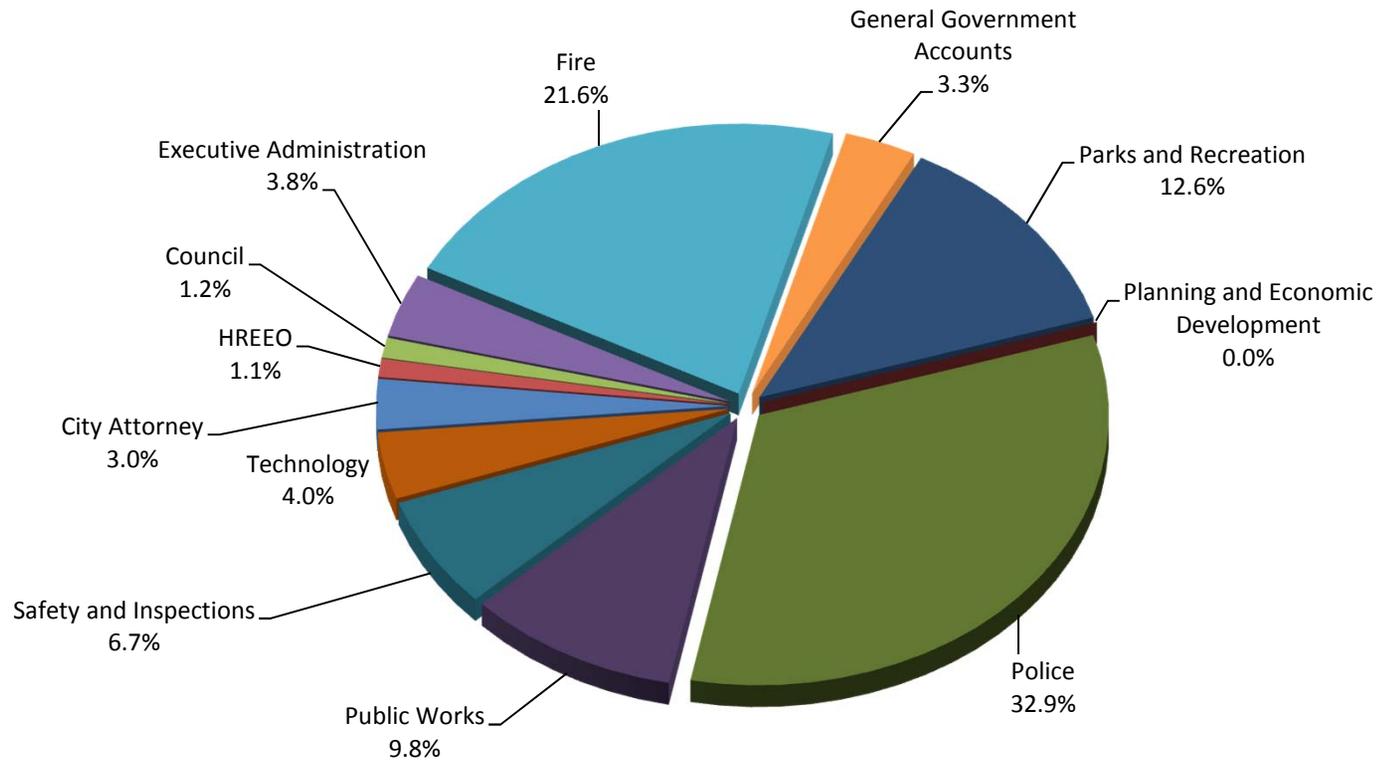
General Fund Budget

General Fund Spending (By Department)			
Department/Office	2017 Actual	2018 Adopted Budget	2019 Proposed Budget
City Attorney	7,940,272	8,454,991	9,139,571
Council	3,315,185	3,646,472	3,726,272
Emergency Management	458,180	426,386	423,067
Financial Services	3,618,728	3,967,959	4,326,324
Fire and Safety Services	61,394,561	62,074,447	65,967,636
General Government Accounts	15,651,688	11,090,160	10,233,744
HREEO	2,091,296	2,299,632	3,385,584
Human Resources	4,371,076	4,947,808	4,842,750
Mayor's Office	2,004,591	1,963,065	2,012,733
Parks and Recreation	29,783,489	34,906,856	38,512,977
Planning and Economic Development	0	0	954,803
Police	91,732,267	95,260,436	100,418,617
Public Works	2,277,626	29,427,760	29,886,909
Safety and Inspection	18,826,529	19,371,311	20,589,164
Technology	11,613,775	11,751,575	12,169,426
Total	<u>255,079,262</u>	<u>289,588,858</u>	<u>306,589,576</u>

General Fund Budget

2019

Proposed Spending by Department



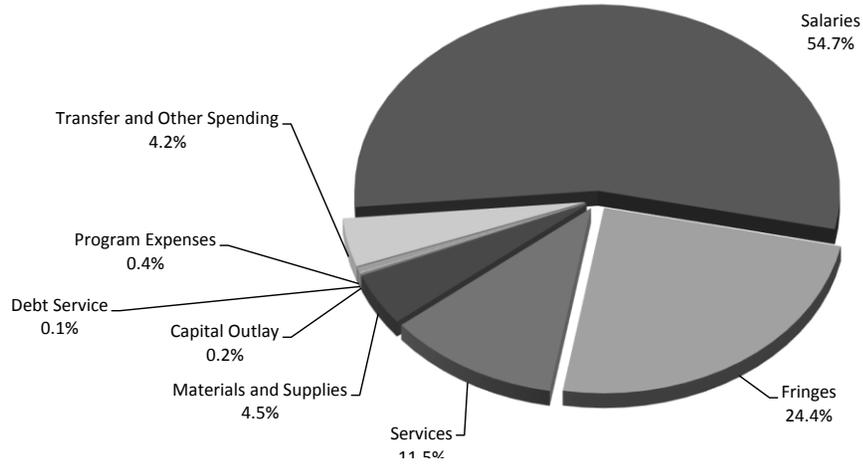
General Fund Budget

General Fund Spending (By Major Account)			
Object	2017 Actual	2018 Adopted Budget	2019 Proposed Budget
Salaries	144,148,240	160,929,278	167,686,876
Fringes	61,574,651	69,007,649	74,836,636
Services	29,359,103	35,426,958	35,336,270
Materials and Supplies	9,385,254	12,862,299	13,849,494
Capital Outlay	657,907	1,182,273	664,273
Debt Service	49,689	150,689	149,979
Program Expenses	814,119	846,267	1,131,571
Transfer and Other Spending	9,090,300	9,183,447	12,934,477
Total	<u>255,079,262</u>	<u>289,588,860</u>	<u>306,589,576</u>

General Fund Financing (Revenue By Source)			
Source	2017 Actual	2018 Adopted Budget	2019 Proposed Budget
Taxes	83,535,529	109,572,063	123,328,646
Fees, Sales and Services	45,223,218	45,319,054	47,135,218
Franchise Fees	26,329,251	25,546,879	26,046,879
Fines and Forfeitures	58,151	73,500	58,500
Intergovernmental Revenue	74,837,972	83,027,238	83,226,518
Assessments	82,142	-	-
Interest	2,416,153	2,365,034	2,365,034
License and Permits	13,300,098	11,840,543	12,369,694
Transfers and Other Financing	12,972,507	11,844,549	12,059,087
Total	<u>258,755,022</u>	<u>289,588,860</u>	<u>306,589,576</u>

General Fund Budget

2019 Proposed Spending By Major Object



2019 Proposed Revenue By Source

