

Appendix



City of Saint Paul

City Hall and Court House
15 West Kellogg Boulevard
Phone: 651-266-8560

Signature Copy

Resolution: RES 19-2130

File Number: RES 19-2130

Approved by the Mayor

[Handwritten signature of Melvin Carter III]

Melvin Carter III

Date 12/18/2019

File Number: RES 19-2130

Approving the 2020 City Tax Levy.

WHEREAS, the Mayor, pursuant to the City Charter has proposed and recommended the 2020 budgets for the City of Saint Paul, and

WHEREAS, the proposed 2020 General and General Debt Service budgets have been reviewed and approved or adjusted by the City Council, and

WHEREAS, the City is required under Laws of Minnesota 2002, Chapter 390, Sec. 37, to levy a tax at the Library Board's request, which the Library Board has made, and

WHEREAS, the property tax levies needed to finance those budgets have been determined, and

WHEREAS, the Port Authority of the City of Saint Paul requested a property tax levy to finance economic development budgets under Minnesota Statutes section 469.053, subd. 4 and 6,

NOW THEREFORE BE IT RESOLVED, that the City Council, in anticipation of adopting the General Fund, General Debt Service, and Library Agency budgets for the fiscal year 2020, and in accordance with section 10.04 of the City Charter, does hereby levy taxes on all taxable property within the Saint Paul corporate limits, to be collected totaling the amount set forth in the attached; and

BE IT FURTHER RESOLVED, that the City Council requests the City Clerk to forward this resolution to the Ramsey County Department of Property Records and Revenue in accordance with the applicable provisions of the City Charter and other laws, and

BE IT FINALLY RESOLVED, that the City Council requests the Office of Financial Services to complete and forward any state forms required identifying these adopted levies and corresponding special levies.

At a meeting of the City Council on 12/11/2019, this Resolution was Passed.

Yea: 4 Councilmember Brendmoen, Councilmember Tolbert, Councilmember Noecker, and Councilmember Jalali

Nay: 3 Councilmember Thao, Councilmember Prince, and Councilmember Busuri

Vote Attested by

[Handwritten signature of Trudy Moloney]

Date 12/11/2019

Council Secretary Trudy Moloney

City of Saint Paul Financial Analysis

Attachment A

1	<u>File ID Number:</u>	RES 19-2130		
2				
3	<u>Budget Affected:</u>	Operating Budget	Multiple Departments	Multiple Funds
4				
5	<u>Total Amount of Transaction:</u>	n/a		
6				
7	<u>Funding Source:</u>	Other	Please Specify:	Property Tax Levy
8				
9	<u>Charter Citation:</u>	Laws of Minnesota 2002, Chapter 390, Sec. 37; Minnesota Statutes section 469.053, subd. 4 and 6;		
10		Section 10.04 of the Saint Paul City Charter		

Fiscal Analysis

14 Resolution approves the final pay 2020 City of Saint Paul Property Tax Levy at \$165,181,611. This includes City Operating and Debt Levies, Saint Paul Public Library Operating and Debt Levies, and the Saint Paul Port Authority levy. Details on the breakdown between these entities is shown below.

Payable 2020 City of Saint Paul Property Tax Levy

30	Description	Tax Levy Payable in 2019	Tax Levy Payable in 2020	% Change
32	City levy for city operations and shrinkage	119,827,734	126,389,708	5.48%
34	City levy for Debt Service and shrinkage	15,233,758	17,121,513	12.39%
36	City levy for Library Agency and shrinkage	<u>18,879,346</u>	<u>19,558,690</u>	3.60%
38	City Levy for City Government	153,940,838	163,069,911	5.93%
40	City levy for Port Authority levy per Mn. Stat. sec 469.053	<u>2,111,700</u>	<u>2,111,700</u>	0.00%
42	Total Levy	156,052,538	165,181,611	5.85%



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Resolution: RES 19-2139

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final 2020 budgets in accordance with the actions taken herein and to equalize, balance or set the final department revenue sources and department appropriations as necessary.

At a meeting of the City Council on 12/11/2019, this Resolution was Passed.

Yea: 4 Councilmember Brendmoen, Councilmember Tolbert, Councilmember Noecker, and Councilmember Jalali

Nay: 3 Councilmember Thao, Councilmember Prince, and Councilmember Busuri

Vote Attested by Council Secretary Trudy Moloney

Date 12/11/2019

Approved by the Mayor Melvin Carter III

Date 12/18/2019

File Number: RES 19-2139

Adopting the 2020 Budget.

WHEREAS, the Mayor has proposed budgets for the City of Saint Paul for the fiscal year beginning January 1, 2020, in accordance with the Saint Paul City Charter and Chapter 56 of the Administrative Code; and

WHEREAS, the City Council, after publication of the notice in the newspaper on November 25, 2019, participated in a public hearing on December 4, 2019, on the Mayor's Proposed 2020 budgets and property tax levy, as required by the City Charter and applicable state and federal laws; and

WHEREAS, the Council has revised the Mayor's proposed budgets as indicated in Attachment A; now therefore be it

RESOLVED, that in accordance with the procedures and requirements set forth in the City Charter and other laws applicable thereto, the Council of the City of Saint Paul does hereby adopt the 2020 budgets as proposed by the Mayor with such monetary changes, additions and deletions as are hereby adopted and which, along with total budgets, are set forth in Attachment A; and be it

FURTHER RESOLVED, that the expenditures in dollars as may be made by the offices, departments, bureaus, and agencies of city government during the fiscal year 2020 shall be, and are hereby approved, and adoption of these budgets shall constitute appropriations of the money amounts as set at the department budget total in the General Fund budget, the project total in the Capital Improvements Budget, and the fund budget total in all other cases; and be it

FURTHER RESOLVED, that the estimated financing set forth in the 2020 adopted budgets is hereby approved; and be it

FURTHER RESOLVED, that the Five Year Capital Program for 2020-2024 is hereby approved; and be it

FURTHER RESOLVED, that the adoption of the 2020 budget for the Community Development Block Grant Fund is a multi-year budget based on estimates for a grant which has a fiscal period that differs from the City's budget year (January 1 through December 31); the authority to implement this adopted multi-year budget commences only at the beginning of the grant period, and shall extend beyond December 31, 2020, through the end of the grant period and; during the year when the grant is accepted by the City Council, the budget will be amended to match the actual grant amount for the entire multi-year period; and be it

FURTHER RESOLVED, that the City Clerk is directed to publish the 2020 budget summary pursuant to Minnesota Statutes section 471.6965 in the format prescribed by the Office of the State Auditor; and be it

FINALLY RESOLVED, that the Director of Financial Services is hereby authorized to prepare the

RES 19-2139

2020 Budget Balancing Status
General Fund
Resolution Attachment

2020 Budget Balancing Status
Special Funds

RES 19-2139

	Spending	Financing
Mayor's Proposed Budget...		
General Fund	317,043,596	317,043,596
Mayor's Budget Total	317,043,596	317,043,596
Gap: Excess / (Shortfall)	0	
Supplemental Public Safety Budget...		
Changes to account for public safety supplemental budget items:		
Police	305,760	
Emergency Management	100,000	
CAO	113,906	
Parks	244,649	
Financial Services	110,000	
Fire	130,000	
Mayor's Office	300,000	
Public Works		Budget Neutral
Parks		(225,000)
General Government Accounts		1,529,315
Technical Changes to the Mayor's Budget...		
Technical Changes to Adjust for Updates and Omissions:		
All Departments		Align department budgets to proper accounting units and account codes
General Government	1,400,000	Recognize on-behalf employer pension expenses and corresponding revenue
CAO		Reallocating personnel that work in General Fund and Special Fund, net increase of 0.25 FTE
DSI		Reallocating personnel that answer calls about organized trash, net increase of 0.25 FTE
Parks		Personnel adjustments in recreation and forestry, net increase of 4.32 FTE
Public Works		Allocate portion of pedestrian safety fund for Saint Paul Streets debt service
New or Amended Grant Budgets:		
Revised Revenue and Budget Estimates:		
General Revenue Adjustments		
DSI		Update refuse hauling assessment and abatement revenues (128,000)
DSI		Update vacant building assessments revenues (23,576)
DSI		Update excessive consumption assessments revenues 25,000
DSI		Update demolition assessments revenues 50,000
DSI		Update certificate of occupancy assessments revenues 76,576
Financial Services		Update P-Card revenue 21,249
Financial Services		Update Investment Services revenue (2,750)
Parks		Reduce parks transfers from special funds (218,499)
Fire		Update Intergovernmental Transfer 200,000
Budget After Technical Changes	319,747,911	319,747,911
Gap: Excess / (Shortfall)	0	
Council Changes to the Proposed Budget:		
Program Adjustments		
Fire		Fund community health workers pilot with a transfer from the parking fund 130,000
Emergency Management		Fund Downtown Fusion Center with a transfer from the parking fund 100,000
Financial Services	(110,000)	Fund Returning Home pilot on a one time basis with a transfer from the parking fund
HRECO		Add ongoing funding for minimum wage implementation support, adding 1 FTE 130,000
Parks	100,000	One time funding for holiday lights
Parks	30,000	One time funding for hanging baskets
Public Works	80,000	One time investment in pedestrian safety improvements
HRECO	60,000	One time minimum wage outreach support funded with transfer from parking fund
Budget After Policy Changes	320,037,911	320,037,911
Gap: Excess / (Shortfall)	0	

	Spending	Financing
Mayor's Proposed Budget...		
Special Funds	295,585,048	295,585,048
Mayor's Budget Total	295,585,048	295,585,048
Gap: Excess / (Shortfall)	0	
Supplemental Public Safety Budget...		
Changes to account for public safety supplemental budget items:		
Financial Services	110,000	110,000
Parks	244,649	244,649
Police	305,760	305,760
Technical Changes to the Mayor's Budget...		
Technical Changes to Adjust for Updates and Omissions:		
All Departments		Align department budgets to proper accounting units and account codes
Financial Services		Adjusting pay rates for personnel in PED Administration Fund, net increase of 0.5 FTE
Financial Services		Transfer to PED Operations from Housing Trust Fund (Development Capital Fund) for Housing Project Manager, adding 1 FTE
General Government	562,650	Carry forward unspent balances in Citywide Technology and Innovation fund
DSI	(143,500)	Fix incorrect amount put in for 2020 CDBG allocation
DSI	725,681	Add CDBG rollover from 2019 to 2020
DSI	250,000	Transfer of unspent ISP Bonds for One Stop
CAO		Reallocating personnel that work in General Fund and Special Fund, net decrease of 0.25 FTE
Financial Services	(115,479)	Update internal loan to accurately reflect repayment on advances
Financial Services	556,620	Update general government special projects budget to reflect rent repayments between MN United and the City
Parks	245,006	Recreation personnel adjustments and increased revenue projections, net increase of 4.57 FTE
Parks		Forestry personnel adjustments, net increase of 0.15 FTE
Parks		Move Twins Grant to Grant Fund
Police	385,000	Increase use of fund equity and spending for general professional services for RMS Wireless Service
Police	(80,587)	Remove transfer from general fund to Police vehicle lease purchase
Police	100,000	Increase Police fleet revenue to match debt model
Public Works	407,665	Move Arlington Mill and Overtay to 2020
General Government	259,680	Adjusting spending and financing for city phone service
New or Amended Grant Budgets:		
CAO	50,000	Byrne Justice Assistance Criminal and Juvenile Justice Intervention grant from MN DPS
Emergency Management	(16,917)	Update MMRS Sustainment grant balances
Financial Services	763,174	Carry forward unspent OFE grant balances
Financial Services	106,750	Carry forward unspent Fleet DERA grant balances
Fire	1,470,861	Update grant budgets with SAFER Grant
Fire	104,559	Update grant budgets with Haz Mat ERT
Fire	225,516	Update grant budgets with MBTTE MARK
Fire	315,549	Update grant budgets with AFG Grant
General Government	4,000,000	Carry forward unspent flood related funding
Mayor's Office	26,000	Update Vista Grant Budget
Parks	157,852	Move Twins Grant to Grant Fund
Parks	105,413	Update Great River Passage grant for projected share of multi-year spending and revenue
Police	123,302	Update Private Foundation Grants Budget
Police	44,971	Update Violent Crime Enforcement Team Budget
Police	16,900	Update Minnesota Department of Natural Resources Budget
Police	36,236	Update Minnesota Terrorism Recruitment Prevention Budget
Police	382,890	Update Serve Minnesota Budget
Police	165,274	Update St. Paul Intervention - Blaze Budget
Police	20,000	Update Public Safety Partnership Budget
Police	279,218	Update Minnesota Department of Commerce Budget
Police	217,755	Update Bremer St. Paul Police Foundation Budget
Police	133,719	Update State and Community Highway Safety Budget
Police	249,729	Update Byrne JAG Program Budget
Police	326,322	Update Criminal and Juvenile Mental Health Budget
Police	66,948	Update St. Paul Police Foundation Budget
Police	236,250	Update Police Port Security Grant Budget
Police	131,901	Update Police Bomb (Homeland Security) Grant Budget
Public Works	(250,000)	Shift Met Council grant from sewers to grant fund
Public Works	250,000	Shift Met Council grant from sewers to grant fund
Technology	50,000	Knighrnt Foundation Grant for Technology For All Pilot Program
Budget After Technical Changes	309,170,420	309,170,420
Gap: Excess / (Shortfall)	0	
Council Changes to the Proposed Budget		
Financial Services	195,000	Transfer to PED operations from Parking Fund for Ford Planning Manager, year 1 of 3 year plan
Financial Services		Replace transfer from general fund for Returning Home Pilot with a transfer from the parking fund
Financial Services	200,000	Year Round STAR allocation using 2019 above budget revenue collections
Financial Services		Repurpose \$350k of CVZ funding for pedestrian safety improvements
Budget After Policy Changes	309,565,420	309,565,420
Gap: Excess / (Shortfall)	0	

2020 Budget Balancing Status
Debt

RES 19-2139

	Spending	Financing
171 Mayor's Proposed Budget...		
172 Debt Service Funds	81,247,465	81,247,465
173 Mayor's Budget Total	81,247,465	81,247,465
174 Gap: Excess / (Shortfall)		0
175		
176 Technical Changes to the Mayor's Budget...		
177		
178 Technical Changes to Adjust for Updates and Omissions:		
179		
180		
181		
182 Debt		Budget Neutral
183 Debt	204,410	204,410
184 Debt	(1,711,792)	(1,711,792)
185		
186		
187		
188 Revised Revenue or Budget Estimates:		
189		
190 No changes		
191		
192		
193		
194 Budget After Technical Changes	79,740,083	79,740,083
195		
196 Gap: Excess / (Shortfall)		0
197		
198 Program Changes Proposed by the Mayor...		
199		
200 No changes		
201		
202		
203		
204 Budget After Policy Changes	79,740,083	79,740,083
205		
206 Gap: Excess / (Shortfall)		0
207		
208 Council Changes to the Proposed Budget		
209		
210		
211		
212		
213		
214 Budget After Policy Changes	79,740,083	79,740,083
215		
216 Gap: Excess / (Shortfall)		0
217		
218		

2020 Budget Balancing Status
Capital Improvement Budget

RES 19-2139

	Spending	Financing
219 Mayor's Proposed Budget...		
220 Capital Improvement Budget	54,369,000	54,369,000
221 Mayor's Budget Total	54,369,000	54,369,000
222		
223		
224 Gap: Excess / (Shortfall)		0
225		
226 Technical Changes to the Mayor's Budget...		
227		
228 Technical Changes to Adjust for Updates and Omissions:		
229		
230 Multiple Departments		Budget Neutral
231		
232		
233 Revised Revenue or Budget Estimates:		
234		
235 No changes		
236		
237 Budget After Technical Changes	54,369,000	54,369,000
238		
239 Gap: Excess / (Shortfall)		0
240		
241		
242 Program Changes Proposed by the Mayor...		
243		
244 Public Works	5,269,917	5,269,917
245 Public Works	350,000	350,000
246		
247		
248		
249		
250 Budget After Policy Changes	59,988,917	59,988,917
251		
252 Gap: Excess / (Shortfall)		0
253		
254 Council Changes to the Proposed Budget		
255		
256 Financial Services	600,000	600,000
257 Parks	(500,000)	(500,000)
258 Parks	500,000	500,000
259 Parks	500,000	500,000
260 PED	(50,000)	(50,000)
261 PED	50,000	
262		
263		
264		
265		
266		
267		
268 Budget After Policy Changes	61,088,917	61,088,917
269		
270 Gap: Excess / (Shortfall)		0
271		
272		
273		
274		

Glossary

Account Code. A five-digit code assigned to a specific type of receipt or expenditure. A major account code is a grouping of expenditures or receipts on the basis of the types of goods or services purchased or rendered. For example, personnel services, materials, supplies, and equipment are major account codes.

Accounting Unit (AU): An accounting unit is a subunit of a fund. Each fund contains one or more accounting units, a specific and distinguishable budgetary unit of work or service. Accounting units are detailed levels of budget spending authority created to accomplish the approved objectives of the fund.

Accounting Unit Number: An eight (8)-digit number which uniquely identifies the accounting unit. The first digit indicates the fund type, while the second digit indicates the department.

Allocation: A portion of a lump-sum appropriation which is designated for expenditure by specific organizational units or for special purposes. See *Appropriation*.

Appropriation: An expenditure authorized by the city council for a specified amount and time.

Assessed Valuation: The value that is established for real estate or other property by a government for use as a basis for levying property taxes.

Bond: A written promise to pay a specific sum of money (called the principal amount or face value) at a specified future date (called the maturity date) along with periodic interest at a specified rate.

Budget Document: The written record of the comprehensive financial plan the mayor presents to the city council for review, revision if deemed appropriate, and adoption.

Capital Allocation: Assignment of available capital (dollars) to specific uses.

Capital Expenditure: Actual spending of capital (dollars) for capital improvement projects.

Capital Improvement: The purchase or construction of durable/fixed assets. Examples include streets, bridges, parks or buildings.

Capital Improvement Budget (CIB): A plan for capital expenditures (physical development of the city) to be incurred each year, over a fixed number of years, in order to meet capital needs arising from the long-term work program.

Capital Outlay: Equipment, machinery, vehicles or furniture items included in the operating budget. See *Capital Improvement Budget*.

Capital Projects Fund: A fund established to account for all financial resources used for the construction or acquisition of major capital facilities, except those financed by special assessment, proprietary or fiduciary funds.

CIB: Acronym for capital improvement budget.

COMET: Acronym for City Operations Modernization and Enterprise Transformation, Saint Paul's technology improvement project. See *ERP*.

Debt Service Fund: A fund established to account for the financial resources used for the payment of long-term general obligation debt principal, interest, and related costs.

Division: An organizational subunit of a department. Each department has one or more divisions, which are responsible for one or more activities.

Encumbrances: Legal commitment of appropriated funds (in the form of purchase orders or contracts) to purchase goods or services to be delivered or performed at a future date. They cease to be encumbrances when paid or when the actual liability is created.

Enterprise Fund: A fund established to account for city operations that are financed and operated in a manner similar to private business enterprises. The intent is that the costs (expenses, including depreciation) of providing goods and services on a continuing basis be financed or recovered primarily through user charges.

ERP: Acronym for Enterprise Resource Planning, a document and information management system.

ETI: Acronym for Enterprise Technology Initiative. This is an activity in the Technology department in which spending and financing for city-wide technology improvements are budgeted.

Expenditures: Total charges incurred, whether paid or unpaid, including the provision for retirement of debt not reported as a liability of the fund from which it will be retired, and capital outlays (for governmental funds and fiduciary funds, except non-expendable trust funds) .

Expenses. Charges incurred, whether paid or unpaid, for operation, maintenance, interest, and other charges which benefit the current fiscal period (for proprietary funds and non-expendable trust funds). See *Expenditures*.

FMS or FM-80: Reference to the City of Saint Paul's financial management computer system. This system is planned to be retired in 2013 and replaced with the City's new ERP system.

FORCE: Acronym for focusing our resources on community empowerment. This is a unit within the Police Department dedicated to combat problems, at the neighborhood level, of street level narcotics, problem properties and disruptive behavior.

Fiduciary Fund: A fund established to account for resources held for the benefit of parties outside the government.

Glossary – Continued

Financing Plan: Identifies sources of revenues that support the spending plan.

Full Time Equivalent (FTE): A personnel position which is financed for the equivalent of 80 hours per pay period, for 26.1 pay periods (a typical year), or 2,088 hours in a year. This is roughly equivalent to 40 hours per week for 52 weeks. For example, a .5 FTE would represent 20 hours per week for 52 weeks, or 40 hours per week for 26 weeks. A 1.0 FTE is a general reference to a position normally working for a year.

Fund: Each individual fund is a separate accounting entity having its own assets, liabilities, revenues and expenditures or expenses. City financial resources are allocated to, and accounted for, in individual funds based on legal, donor, or administrative restrictions or requirements.

Fund Balance: An equity account reflecting the excess of accumulated assets over accumulated liabilities and reserves (monies set aside for specific purposes).

Fund Manager: Fund managers are accountable to and receive authority from their department director and division manager, and ultimately from the mayor, the city council, and city residents/taxpayers. Each fund manager is responsible for correctly preparing and submitting the portion of the city's financial plan that is provided by their fund. This includes a properly completed budget request consisting of performance, spending and financing plans. Fund managers are responsible for monitoring the collection of receipts, authorizing spending payments, cash flow planning, and service delivery in accordance with the adopted plan. Fund managers are also responsible for forecasting significant performance, spending or financing variances, determining their cause, creating a solution, and reporting such information to their department director and the director of the office of financial services. See *Performance Plan*, *Spending Plan*, and *Financing Plan*.

Fund Number: A three-digit number which uniquely identifies the fund. For example, the General Fund is fund number 100, the city grants fund is 200, and the parks and recreation special projects is 260. There is no significance to the sequence of numbers. See *Activity Number*.

Fund Type: A classification of funds by similar purpose. The fund types are: governmental (general, special revenue, debt service, capital project, special assessment), proprietary (enterprise, internal service), and fiduciary (trust and agency funds). Although the city hall annex operating fund and the public works engineering fund are separate funds, they are the same fund type (internal service). See each fund type for its definition. Also see *Fund*.

GIS: Acronym for geographic based information systems.

General Fund: The fund used to account for all financial resources not specifically earmarked for other purposes. The General Fund is the primary operating fund for the City of Saint Paul.

Governmental Funds: All funds other than fiduciary and proprietary funds. Includes the general fund, special revenue funds, capital projects funds, debt service funds and special assessment funds. The measurement focus is on spending or financial flow rather than on net income. See *Fiduciary Funds* and *Proprietary Funds*.

Internal Service Fund: A fund established to account for the financing of goods or services provided by one city department to other city departments, divisions or funds on a cost-reimbursement basis.

LGA: Acronym for local government aid. See *State Aids*.

MSA: Acronym for municipal state aids. See *State Aids*.

Operating Budget: The annual operating budget is the primary means by which most of the financing, acquisition, spending and service delivery activities of a government are controlled.

Operating Transfer In/Out: Interfund transfers are legally authorized transfers between a fund receiving revenue and a fund where resources are expended.

PED: Acronym for the planning and economic development department.

Permanent Fund: A fund established to account for the custody and administration of assets held in a trust capacity. The assets held in a trust fund must be spent or invested in accordance with the conditions of the trust. Expendable trust funds are similar to governmental funds in that the measurement focus is on spending or financial flow rather than on net income. Non-expendable trust funds are similar to proprietary funds, with the measurement focus on determination of net income. See *Agency Fund* and *Fiduciary Fund*.

Proprietary Funds: Any fund which attempts to determine net income. Measurement focus is on cost of services similar to private sector for-profit organizations. This category includes enterprise and internal service funds.

Recoverable Expenditure: An expenditure made for, or on behalf of, another governmental unit, fund, or department, private individual, firm, or corporation which will, subsequently, be recovered in cash or its equivalent.

Retained Earnings: An equity account reflecting the accumulated earnings of an enterprise or internal service fund which are not reserved for any specific purpose.

Special Assessment: Charges which the local government collects from property owners to pay for specific services or capital improvement projects such as streets, sewers, etc., which benefit a particular piece of real estate.

Glossary – Continued

Special Revenue Fund: A fund established to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, and capital projects) that are legally restricted to expenditures for specified functions or activities.

Spending Plan: Provides a unit or subunit of an organization with spending authority to pay for the resources required to effectively accomplish the performance plan.

STAR: Acronym for sales tax revitalization program. This is also referred to sometimes as cultural sales tax revenue.

State Aids: The following are the major types of intergovernmental revenues received by the City of Saint Paul from the State of Minnesota:

Local Government Aid (LGA): Begun in 1971, this program was designed to provide indirect property tax relief through the redistribution of income tax and sales tax revenues collected at the state level to local units of government. The amount of funding received by local units of government is based on a distribution formula determined by the Minnesota State Legislature. The distribution formula is based on "need" as well as "capacity". The 2001 State Legislature rolled the Homestead and Agricultural Credit Aid into Local Government Aid.

Municipal State Aids (MSA). This program is financed by motor vehicle related taxes collected at the state level. The state gasoline tax is the largest revenue source and the dollars collected are constitutionally dedicated for expenses related to MSA routes. The revenues are redistributed back to municipalities of 5,000 or more residents to be used for construction and maintenance of their MSA designated routes.

Tax Increment District: A tax increment district is a designated geographical area where a city is undertaking redevelopment or development activity. Any increase in assessed valuation due to new development activity is captured by the district. Property taxes levied against those captured values are used to finance the public improvement costs incurred to induce the private development activity. Public improvement costs can be financed by issuing bonds or by a pay-as-you-go plan.