

City General Fund

General Fund – 2020 Adopted 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 adopted 2020 spending and revenue plan.

Revenue Highlights

The major revenue sources for this fund are:

- ❖ Property Taxes – 39% (44% including the Library)
- ❖ Local Government Aid – 22% (21% including the Library)
- ❖ Franchise fees – 8%
- ❖ Other revenues, aids, and user fees – 31%

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. Saint Paul will see a \$4.1 million LGA increase in 2020 thanks to an increase in the appropriation approved during the 2019 legislative session.

Even after these increases, LGA is \$39 million less than Saint Paul's need as calculated by the formula in state law.

Property Tax Levy: Financing for the adopted budget includes a 5.85% increase in the property tax levy. The total 2020 adopted levy is \$165 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: 2020 revenue generated by franchise fees increases by \$900,000 over the 2019 budget based on recent performance. Energy franchise fees have experienced

steady and consistent results with some growth over the past several years. A reduction in cable franchise fees is assumed in 2020 based on current revenue trends.

Interest Earnings: Increased revenue estimates for interest earnings in 2020 is based on historical performance. As interest rates and investment balances have risen, so has the performance of this revenue source.

Budget Highlights, 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. Growth in the cost of service delivery is 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 in both 2019 and 2020. This change resulted in \$710,000 in new costs in the 2019 Police and Fire budgets in 2019, and an additional \$724,000 in 2020.

Community-First Public Safety Initiatives: In November of 2020, the Mayor proposed a supplemental budget focused on Community-First Public Safety Initiatives for the City Council's consideration. The proposals were largely funded with an additional 1% property tax levy increase, bringing that total from 4.85% originally proposed to 5.85% including the supplemental budget. The property tax increase was accepted by the City

General Fund – 2020 Adopted Budget

Council, as were almost all of the proposals put forward by the Mayor. Details on these proposals are included throughout this document.

Rate of Spending Growth: Saint Paul's General Fund budget as adopted will increase by \$14.8 million, or 4.6% relative to 2019. At the beginning of the budget process, projected spending growth based on negotiated employee contracts, inflation, and other planned programmatic increase was estimated at \$15 million. Total City spending growth is mitigated by strategic reductions in all departments. Details on these reductions are included throughout this document.

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 64% 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 22% of General Fund revenues (21% 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 – 80% of all General Fund spending is for personnel costs. The cost of other goods and services also continues to rise, putting pressure on department budgets. In 2020, the cost of wage and benefit growth alone was \$11 million, and inflationary pressures on non-personnel items added another \$1.2 million.

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 2020 adopted 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.

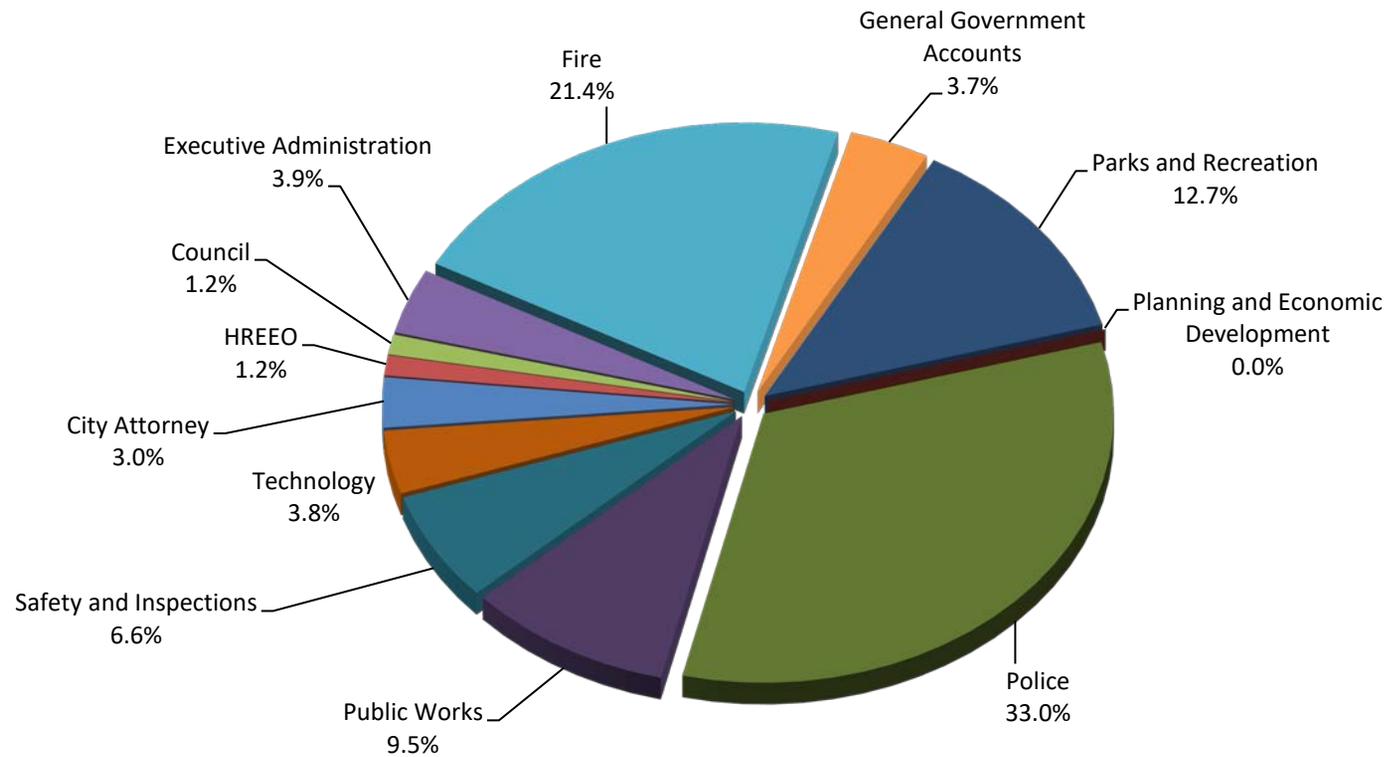
General Fund Budget

General Fund Spending (By Department)			
Department/Office	2018 Actual	2019 Adopted Budget	2020 Adopted Budget
City Attorney	8,371,963	9,139,571	9,678,728
Council	3,437,387	3,726,272	3,870,748
Emergency Management	400,860	423,067	545,493
Financial Services	3,723,345	4,311,324	4,504,625
Fire and Safety Services	63,398,126	65,967,637	68,488,933
General Government Accounts	12,094,751	10,296,846	11,714,574
HREEO	2,248,847	3,385,584	3,705,517
Human Resources	4,499,934	4,842,750	5,104,796
Mayor's Office	1,871,860	2,012,733	2,373,286
Parks and Recreation	35,374,753	38,562,977	40,541,157
Planning and Economic Development	0	82,486	82,486
Police	94,890,414	100,704,487	105,539,797
Public Works	30,964,911	29,886,909	30,489,546
Safety and Inspection	19,038,787	20,589,164	21,198,039
Technology	11,475,551	12,127,769	12,200,188
Total	291,791,489	306,059,576	320,037,911

General Fund Budget

2020

Adopted Spending by Department



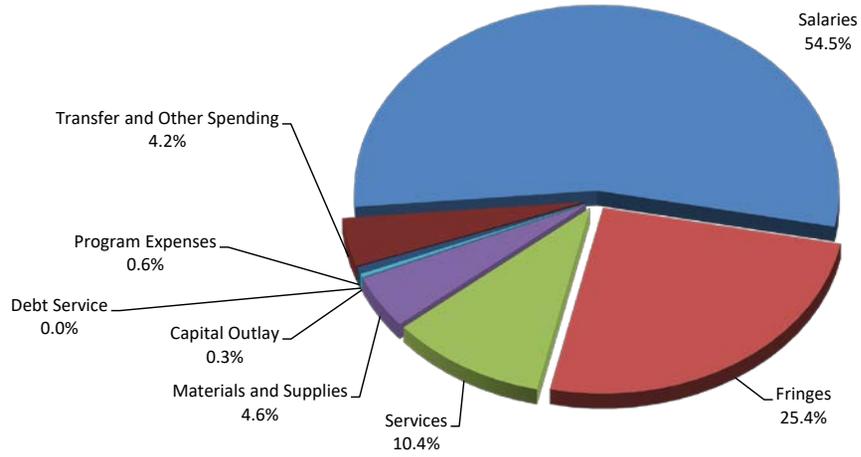
General Fund Budget

General Fund Spending (By Major Account)			
	2018 Actual	2019 Adopted Budget	2020 Adopted Budget
Salaries	159,257,152	167,528,511	174,547,852
Fringes	69,060,349	74,793,170	81,392,898
Services	37,803,822	34,956,809	32,894,642
Materials and Supplies	14,191,899	13,827,684	14,706,580
Capital Outlay	887,152	664,273	1,066,472
Debt Service	36,049	149,979	149,979
Program Expenses	786,500	1,381,571	1,789,571
Transfer and Other Spending	9,768,566	12,757,579	13,489,917
Total	<u>291,791,489</u>	<u>306,059,576</u>	<u>320,037,911</u>

General Fund Financing (Revenue By Source)			
	2018 Actual	2019 Adopted Budget	2020 Adopted Budget
Taxes	112,578,258	122,090,229	129,415,364
Fees, Sales and Services	44,946,606	45,846,362	45,633,308
Franchise Fees	27,450,712	26,001,331	26,901,331
Fines and Forfeitures	95,958	58,500	71,500
Intergovernmental Revenue	83,378,026	81,542,529	85,083,607
Assessments	82,406	-	-
Interest	2,254,443	2,365,034	2,790,034
License and Permits	12,847,878	12,419,332	12,710,785
Transfers and Other Financing	13,449,189	15,736,259	17,431,982
Total	<u>297,083,477</u>	<u>306,059,576</u>	<u>320,037,911</u>

General Fund Budget

2020 Adopted Spending By Major Object



2020 Adopted Revenue By Source

