

City General Fund

General Fund - 2021 Mayor's 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 2021 spending and revenue plan.

Budget Highlights, Issues and Challenges

COVID-19 Pandemic: The COVID-19 pandemic has impacted nearly all aspects of daily life, and the City of Saint Paul budget is no exception. On the revenue side, both the changes to behavior and spending patterns resulting from social distancing requirements, as well as the economic fall out of the pandemic, have significantly impacted City revenues in 2020. It is assumed these impacts will continue into 2021. Nearly all of the major general fund revenues are projected to be negatively impacted. More specific information is included throughout this document.

As a result of these revenue impacts, major spending reductions have been implemented in 2021. \$8 million of General Fund spending has been cut vs. the 2020 adopted budget across all departments. Over 77 vacant FTEs have been removed from the General Fund budget. Zero percent cost of living adjustments are assumed in 2021. While these impacts to staff and service delivery are significant, this budget does not require any layoffs.

The estimates reflected in the 2021 budget represent the best possible projections given current information. A significant level of uncertainty remains about how the pandemic will continue to impact City services and revenues. The City's Office of Financial Services will be monitoring revenues and spending closely throughout 2021 and is prepared to work with City leadership to adjust as needed.

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. In a typical 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.

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 70% of the City's taxable market value is in residential properties. 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 property taxes.

State Budget Decisions and LGA: Local Government Aid (LGA) is a significant revenue source for the City's General Fund, accounting for 23% 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

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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 City General Fund spending is for personnel costs. The cost of other goods and services also continues to rise, putting pressure on department budgets. Due to the extreme economic and financial impacts of the pandemic, general fund spending is proposed to be reduced by \$8 million in the City and Library General Funds.

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 2021 adopted budget maintains compliance with the City fund balance policy. A combination of ongoing and one-time solutions to the current financial crisis are used to balance the budget in 2021. The City's long-term assumption is that the impacted revenues will start to see a more robust recovery starting in 2022, allowing the City to replace one-time revenues and solutions used in 2021 with ongoing revenue sources in 2022 and beyond.

Revenue Highlights

The major revenue sources for this fund are:

- ❖ Property Taxes – 39% (42% 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 \$1.7 million LGA increase in 2021.

Even after these increases, LGA is \$35 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 0% increase in the property tax levy. The total 2021 proposed levy is \$165 million. 77% of the levy will finance General Fund operations and 11% is for the Library Agency. The remainder is used for City debt service or is levied on behalf of the Saint Paul Port Authority.

The 2021 proposed budget assumes 3% property tax non-payment due to current economic conditions. This is increased from a 2% assumption in the 2020 adopted budget.

Major General Fund Revenues: The COVID-19 pandemic is expected to have significant impacts on 2021 general fund financing. Social distancing, economic conditions, or a combination of these factors will negatively impact revenues in fiscal year 2020, and many of those impacts are expected to continue into 2021. More specifics on the expected revenue losses are included in the Major General Fund Revenues section of this document.

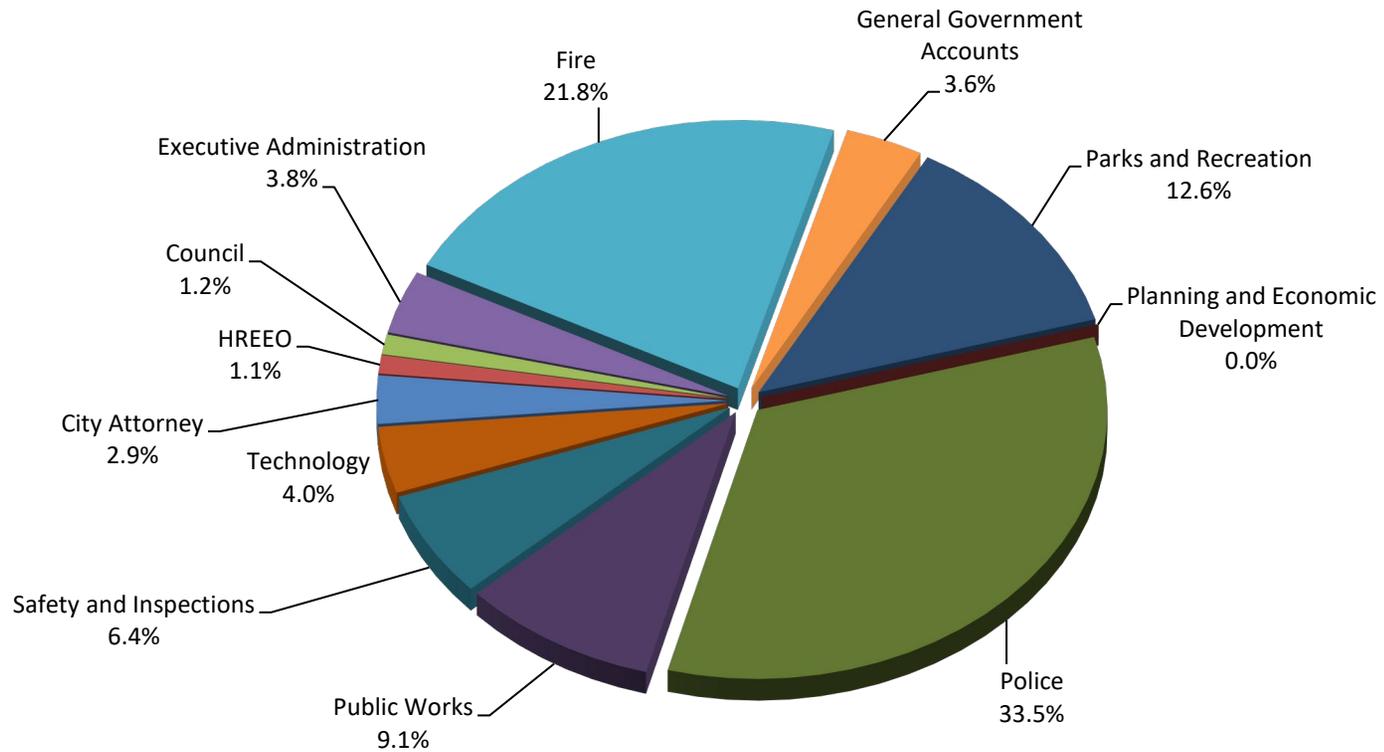
General Fund Budget

General Fund Spending (By Department)			
Department/Office	2019 Actual	2020 Adopted Budget	2021 Proposed Budget
City Attorney	9,024,633	9,678,728	9,140,520
Council	3,527,242	3,870,748	3,821,912
Emergency Management	460,182	545,493	464,855
Financial Services	3,398,179	4,504,625	4,109,409
Fire and Safety Services	66,593,714	68,488,933	68,057,450
General Government Accounts	11,372,889	11,714,574	11,307,372
HREEO	2,956,005	3,705,517	3,405,131
Human Resources	4,401,760	5,104,796	4,945,634
Mayor's Office	1,893,618	2,373,286	2,239,775
Parks and Recreation	38,479,216	40,541,157	39,422,973
Planning and Economic Development	82,485	82,486	0
Police	100,607,420	105,539,797	104,738,797
Public Works	31,785,252	30,489,546	28,553,736
Safety and Inspection	19,574,127	21,198,039	20,050,602
Technology	11,870,690	12,200,188	12,516,429
Total	<u>306,027,411</u>	<u>320,037,911</u>	<u>312,774,595</u>

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2021

Proposed Spending by Department



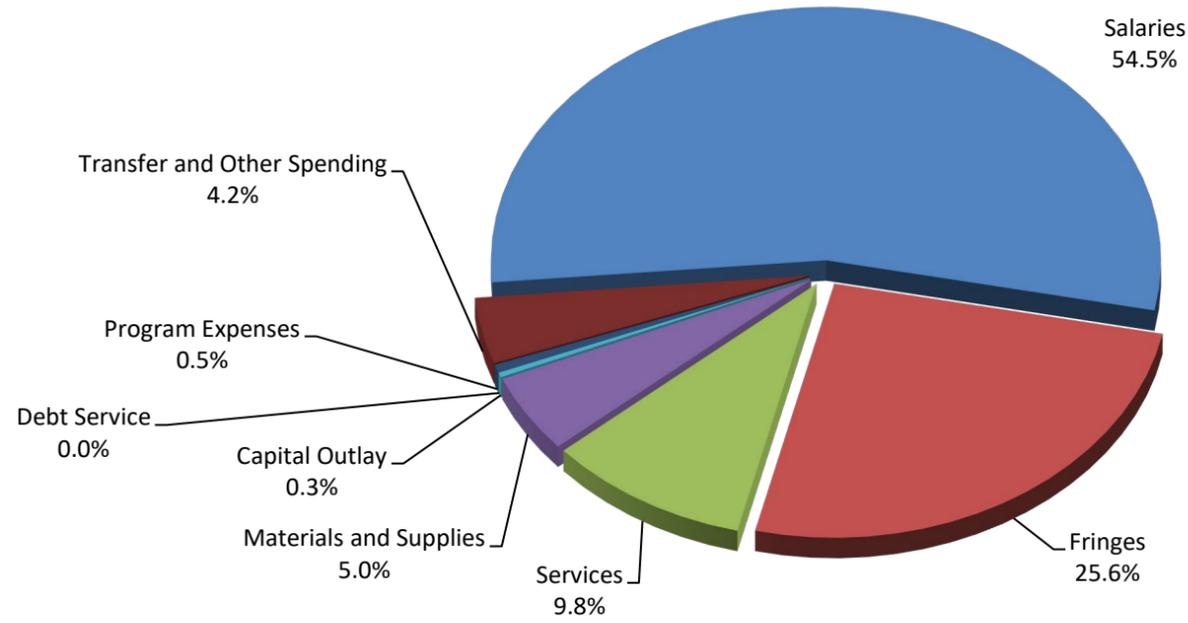
General Fund Budget

General Fund Spending (By Major Account)			
Object	2019 Actual	2020 Adopted Budget	2021 Proposed Budget
Salaries	165,394,312	174,547,852	170,580,393
Fringes	73,820,996	81,392,898	80,094,474
Services	38,252,483	32,894,642	30,749,294
Materials and Supplies	15,254,913	14,706,580	15,734,179
Capital Outlay	307,415	1,066,472	786,472
Debt Service	7,609	149,979	129,556
Program Expenses	1,317,524	1,789,571	1,689,571
Transfer and Other Spending	11,672,159	13,489,917	13,010,656
Total	306,027,411	320,037,911	312,774,595

General Fund Financing (Revenue By Source)			
Source	2019 Actual	2020 Adopted Budget	2021 Proposed Budget
Taxes	122,601,057	129,415,364	126,331,098
Fees, Sales and Services	42,841,671	45,633,308	42,688,139
Franchise Fees	27,702,499	26,901,331	25,028,490
Fines and Forfeitures	72,895	71,500	51,500
Intergovernmental Revenue	83,685,433	85,083,607	86,087,146
Assessments	64,658	-	-
Interest	4,536,050	2,790,034	1,064,608
License and Permits	12,043,868	12,710,785	12,271,872
Transfers and Other Financing	16,722,878	17,431,982	19,251,741
Total	310,271,007	320,037,911	312,774,594

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2021 Proposed Spending By Major Object



2021 Proposed Revenue By Source

