

City General Fund

General Fund - 2017 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 (i.e., Mayor and City Council, human resources, finance and other internal services). The major financing 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 2017 spending and financing plan.

Financing Highlights

The major financing sources for this fund are:

- ❖ Property Taxes – 31.5% (35.9% incl Library Agency)
- ❖ Local Gov't Aid – 24.8% (23.2% incl Library Agency)
- ❖ Franchise fees – 10.1%
- ❖ Other revenues, aids, and user fees – 33.6%

Local Government Aid (LGA): Local Government Aid has been generally lower and less predictable since state aid cuts began in 2003. However, the trend has reversed since 2014, with a significant restoration in 2014 of \$10.1 million followed by an inflationary increase in 2015. Because the state did not adopt an omnibus tax bill during the 2017 session, Saint Paul's share of LGA remains mostly flat for 2017.

Despite recent increases, LGA is still \$13.5 million less than the amount certified in 2003, and nearly \$48 million less than the 2003 certified amount after adjusting for inflation.

Property Tax Levy: Financing for the adopted budget includes 7.9% increase in property tax resources. The total adopted levy is \$114.0 million. 72% of the levy will finance General Fund operations and 16% is for the Library Agency. The remainder is used for City debt service or is levied on behalf of the St. Paul Port Authority.

City Franchise Fees: The 2017 financing decreases slightly based on recent performance. Franchise fees have experienced steady and consistent results with minimal growth over the past several years.

Parking Meter & Fine Revenue: The parking meter system underwent an expansion in 2016 that included metered parking until 10 pm Monday through Saturday in the downtown area and the implementation of special event parking around Xcel Energy Center and CHS Field. An additional \$0.25 increase is included in the 2017 budget that is expected to generate an additional \$430,000. The solid financial performance of the parking meter system is helping offset a decline in fine and continuance for dismissal revenue.

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 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 adopted will increase by \$10.4 million, or 4.3% relative to 2016. The budget funds inflation related to existing services and also includes strategic investments in innovation & technology modernization, increases in sworn officer complements in public safety, and advances strategic investments to enhance equity in city services.

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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 total local property tax levy (excluding fiscal disparities) falls on residential property. This is due to a variety of reasons, some longstanding and others more recent. Historically, as the home to many tax-exempt educational, medical, and state government institutions, nearly 30% 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 24.8% of General Fund revenues (23.2% 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 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 Saint Paul residents.

Cost Pressures: The costs the City bears as an employer (wages, benefits, workers' compensation, etc.) compete for service delivery dollars. The City must continue to find ways to prudently and responsibly manage these costs in order to maintain service delivery levels and maintain the integrity of the City's finances. The largest General Fund expense is employee wages and benefits – 82% of all General Fund spending is for personnel costs. The 2017 budget includes a significant amount of cost containment that prudently and responsibly manages costs while preserving service delivery levels.

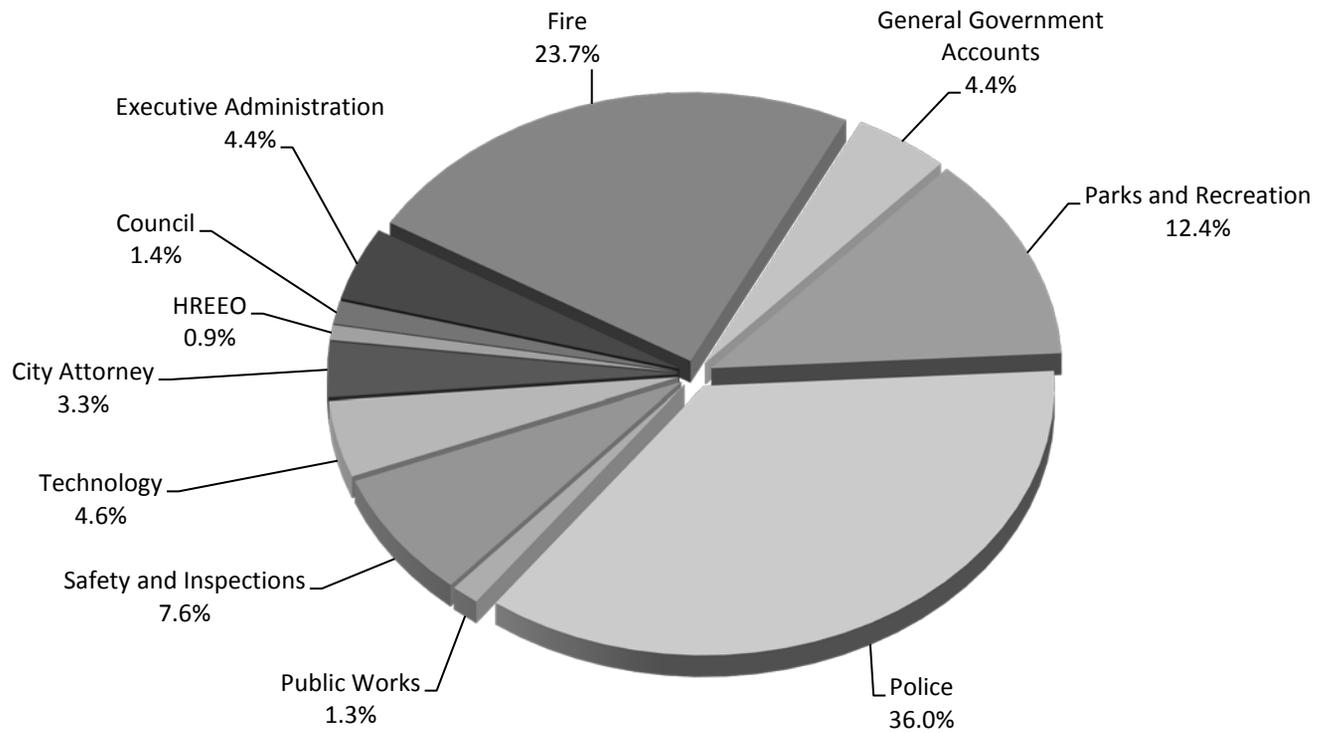
Maintaining Adequate Financial Reserves: From 1994 - 2005, the City spent from its General Fund balance to finance a share of the annual operating budget, which decreased the fund balance from its peak of 31% of subsequent year spending in 1998 to just under 15% in 2005. In 2006, the City enacted a fund 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 2017 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	2015 Actual	2016 Adopted Budget	2017 Adopted Budget
City Attorney	7,471,441	8,045,134	8,276,653
Council	2,993,893	3,152,886	3,436,050
Emergency Management	368,801	392,983	428,047
Financial Services	3,589,074	3,867,555	3,933,030
Fire and Safety Services	58,591,716	58,533,130	60,192,446
General Government Accounts	9,505,186	9,854,589	11,010,609
HREEO	1,858,554	2,382,835	2,323,905
Human Resources	4,175,648	4,165,648	4,722,897
Mayor's Office	1,760,147	1,879,710	1,940,790
Parks and Recreation	27,767,385	29,334,576	31,217,286
Police	85,810,017	88,358,514	91,009,317
Public Works	2,407,533	2,213,782	3,193,025
Safety and Inspection	17,160,525	18,510,696	19,134,293
Technology	10,584,883	11,327,387	11,567,277
Total	<u>234,044,803</u>	<u>242,019,427</u>	<u>252,385,623</u>

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2017 Adopted Spending by Department



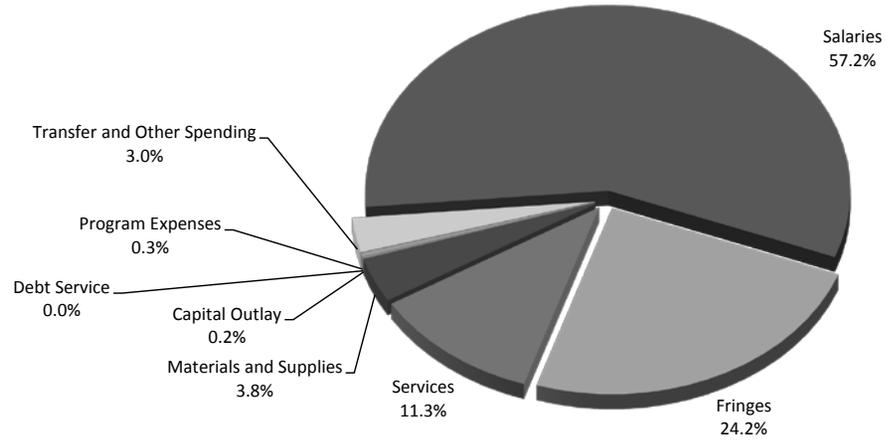
General Fund Budget

General Fund Spending (By Major Account)			
	2015 Actual	2016 Adopted Budget	2017 Adopted Budget
Salaries	135,308,308	139,628,280	144,556,646
Fringes	55,964,326	59,738,906	61,061,147
Services	28,961,446	28,979,534	28,360,077
Materials and Supplies	9,632,562	9,581,690	9,568,677
Capital Outlay	780,623	408,777	416,246
Debt Service	5,460	66,937	66,937
Program Expenses	781,574	811,267	846,267
Transfer and Other Spending	2,610,503	2,804,035	7,509,626
Total	<u>234,044,803</u>	<u>242,019,427</u>	<u>252,385,623</u>

General Fund Financing (Revenue By Source)			
	2015 Actual	2016 Adopted Budget	2017 Adopted Budget
Taxes	74,452,217	76,374,659	83,259,100
Fees, Sales and Services	40,149,092	41,635,090	42,798,359
Franchise Fees	25,341,386	25,656,218	25,466,879
Fines and Forfeitures	92,686	77,000	77,000
Intergovernmental Revenue	71,824,056	74,040,440	74,583,282
Assessments	236,376		
Interest	1,341,742	3,115,034	2,365,034
License and Permits	12,439,797	11,477,649	11,752,899
Transfers and Other Financing	8,207,261	9,643,337	12,083,070
Total	<u>234,084,613</u>	<u>242,019,427</u>	<u>252,385,623</u>

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2017 Adopted Spending By Major Object



2017 Adopted Revenue By Source

