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# OFS Overview

March 20, 2024



## Agenda

- OFS Overview
- Schedule of Coming Finance Sessions





## Who are we? And what do we do?

### Accounting

Lori Lee, Accounting Manager

- Accounting and financial reporting
- Accounts payable
- Citywide accounting policies and procedures

### Budget

Madeline Mitchell, Budget Manager

- Budget development, implementation, and monitoring
- Citywide financial planning and analysis



## Who are we? And what do we do?

### **Business Support**

Dede Demko, Business Support Manager

- ERP software management
- Training
- Reporting

### **Fleet Services**

Shane Wurst, Fleet Manager

- Fleet management
- Repair and maintenance services
- Fuel management



## Who are we? And what do we do?

### Grants

Lyndsay Bacher, Grants Manager

- Citywide grants prospecting, application, and administration

### Real Estate

Bruce Engelbrekt, Real Estate Manager

- Design and construction project management
- Energy management and consultation
- Property acquisition and disposal
- City Hall Annex maintenance and custodial



## Who are we? And what do we do?

### Treasury and Assessments

Sarah Brown, City Treasurer

- Debt and bonding
- Cash and investment management
- Assessments – street reconstruction, summary abatements, recycling, storm sewer

### Administration

John McCarthy, Director

Laura Logsdon, Deputy Director



# Budget Committee Schedule

**3/20/24**

Budget and Finance Overview

Lead: Madeline Mitchell

**3/27/24**

American Rescue Plan Act (ARPA)

Leads: Laura Logsdon, Maia Wahlberg

**4/3/24**

Capital Improvement Budget

Lead: Nichelle Bottko Woods

Debt & Bonding

Leads: Sarah Brown, Neal Younghans



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# Budget Overview

Presentation to City Council Budget Committee:  
March 20, 2024





# Agenda

- Budget team introduction
- Budget process
- Budget structure
- Property taxes
- Major revenues



# Budget Team

- Madeline Mitchell – Budget Manager
- Bryan George – Senior Budget Analyst
- Shannon Forney – Senior Budget Analyst
- Nichelle Bottko Woods – Senior Budget Analyst
- Emma Sjostrom – Budget Analyst
- Mandelina Li – Capital City Intern



## Budget Process

### Base Budget Development (January – April)

- OFS calculates cost to continue all programs and services under the new year's conditions.
- Includes updates to salary and benefit costs, removal of one-time items, and the addition of planned changes.

### Mayor's Proposed Budget Development (May – August)

- Department requests and cost-saving ideas are submitted to Mayor.
- Mayor's Cabinet reviews and recommends proposals.
- Mayor makes final decisions and proposes budget in August.

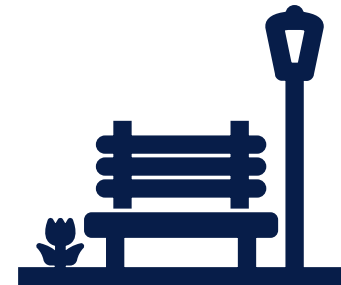
### City Council Budget Review and Adoption (August – December)

- Departments brief the Council on impacts of Mayor's proposed budget.
- City Council sets the property tax levy limit by September 30<sup>th</sup>.
- Council holds a Truth in Taxation hearing in early December.
- Council adopts the budget in early December.



## Operating vs. Capital Budget

- Operating Budget:
  - Personnel, services, materials, debt payments
  - Annual budgets
  - Funded through: taxes, fees, intergovernmental revenue, and grants
- Capital Budget:
  - How the City funds the construction and maintenance of infrastructure
    - Ex. buildings, streets, parks, bridges
  - Multi-year budgets
  - Funded through: bonds, state and federal aid, sales tax, and utilities





## General Fund vs. Special Funds

- Special Funds:
  - Funded with dedicated revenue, tied directly to the expense
  - Examples:
    - Sewer and Water utilities
    - Grant funds
    - Asphalt plant
- General Fund:
  - Funded primarily through general revenues, not tied to specific expenses:
    - Property taxes
    - Local Government Aid (LGA) from the state
    - Other general revenues
  - Includes: Police, Fire, Parks, Library, etc.



## 2024 vs 2023 City and Library Operating Budget

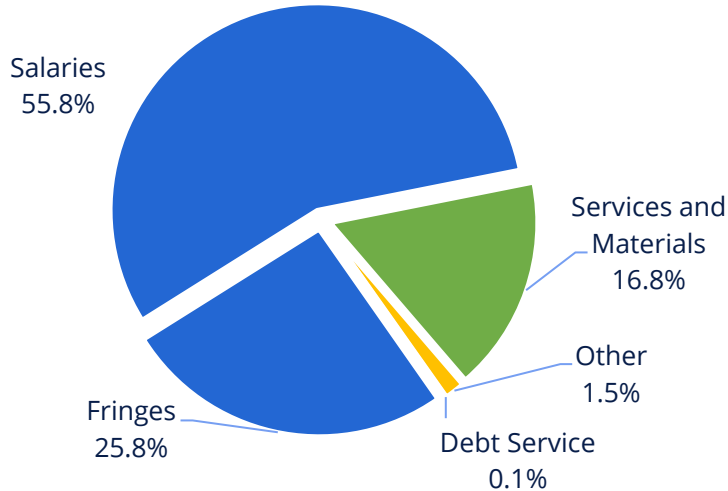
	2023 Adopted	2024 Adopted	Change from 2023 Adopted	% Change from 2023 Adopted
General Fund	363,043,233	377,552,275	14,509,042	4.0%
Special Funds	389,370,402	416,662,822	27,292,420	7.0%
Debt Fund	48,677,968	45,679,236	-2,998,732	-6.2%
	<b>801,091,603</b>	<b>839,894,333</b>	<b>38,802,730</b>	<b>4.8%</b>

*Total budget net of internal transfers and budgets for subsequent year debt payments.*



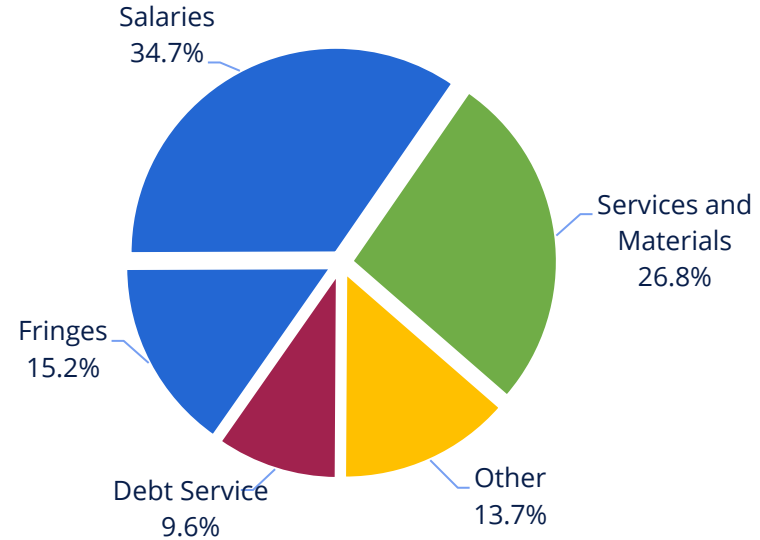
# City and Library Spending by Category

### General Fund



**81.6%** Employee Expenses

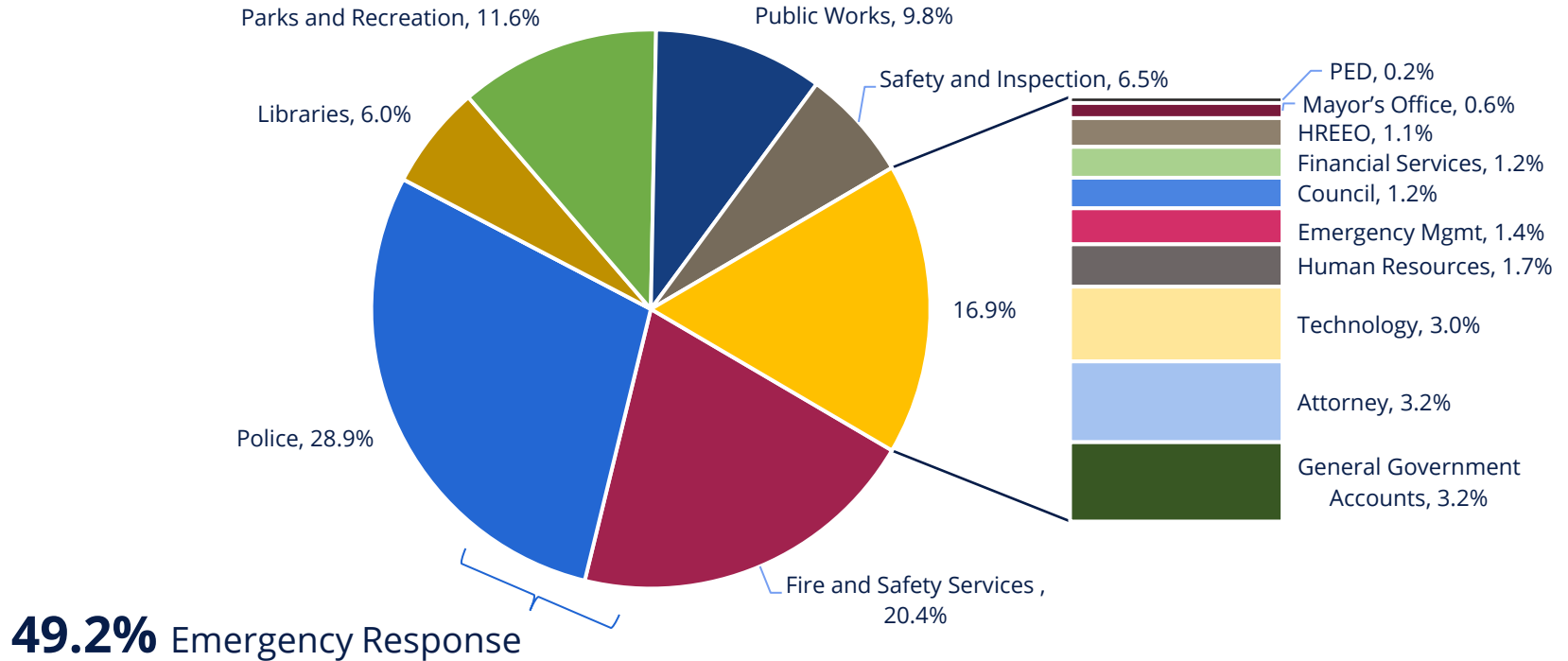
### All Funds



**49.9%** Employee Expenses



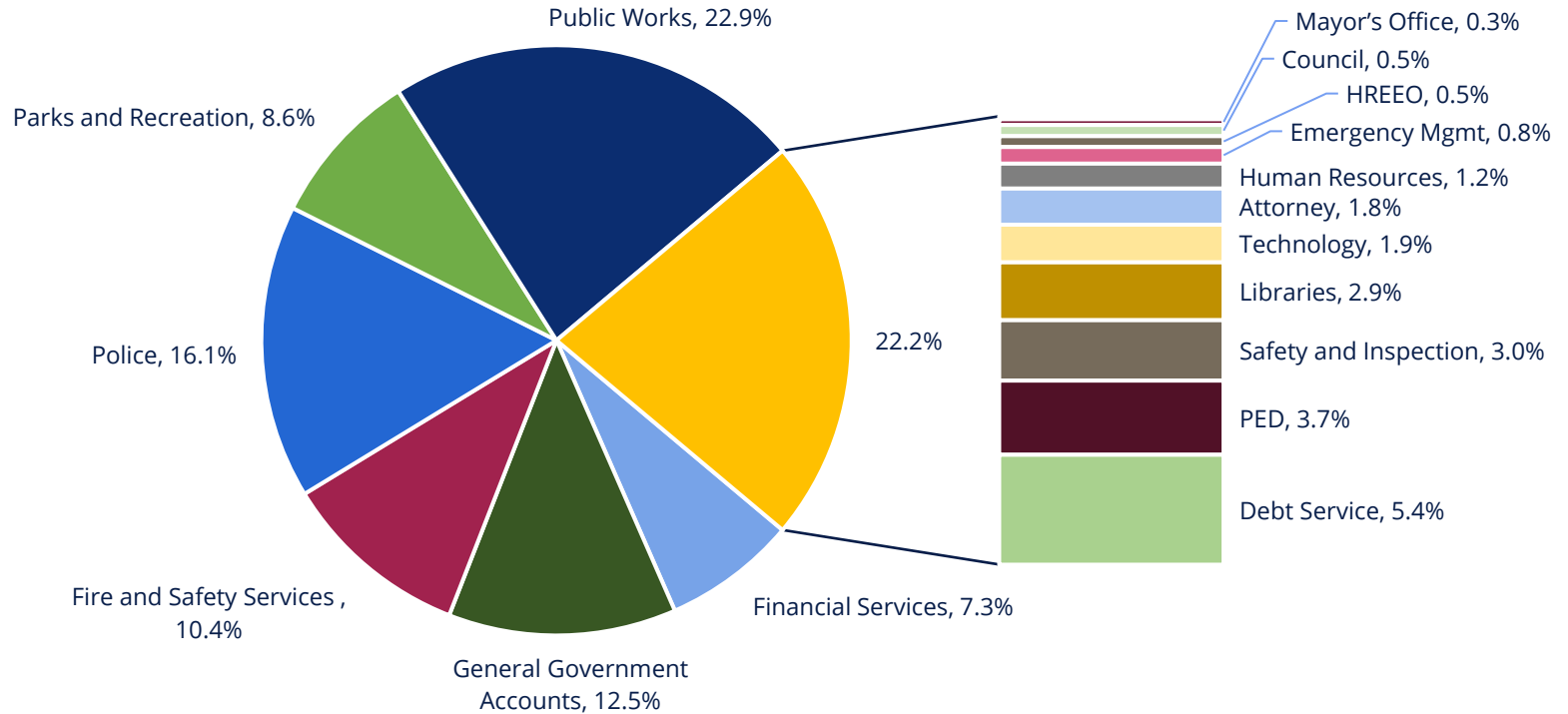
# General Fund Spending by Department







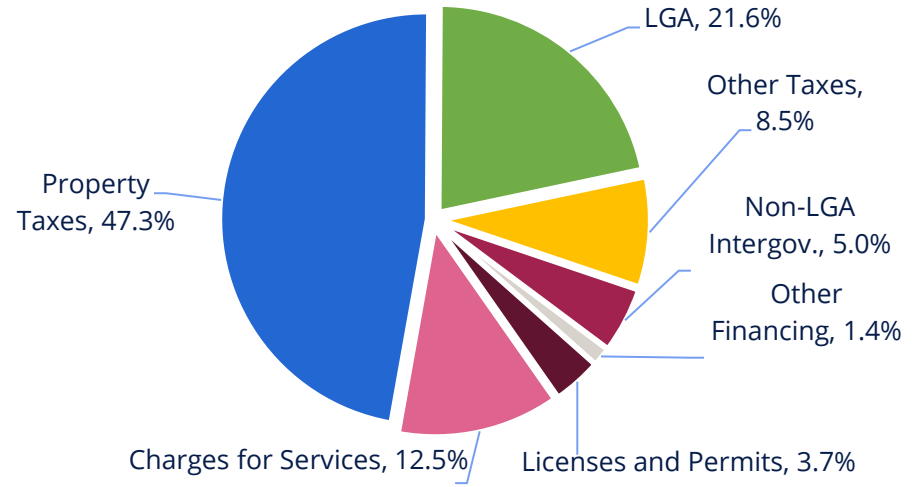
# All Funds Spending by Department





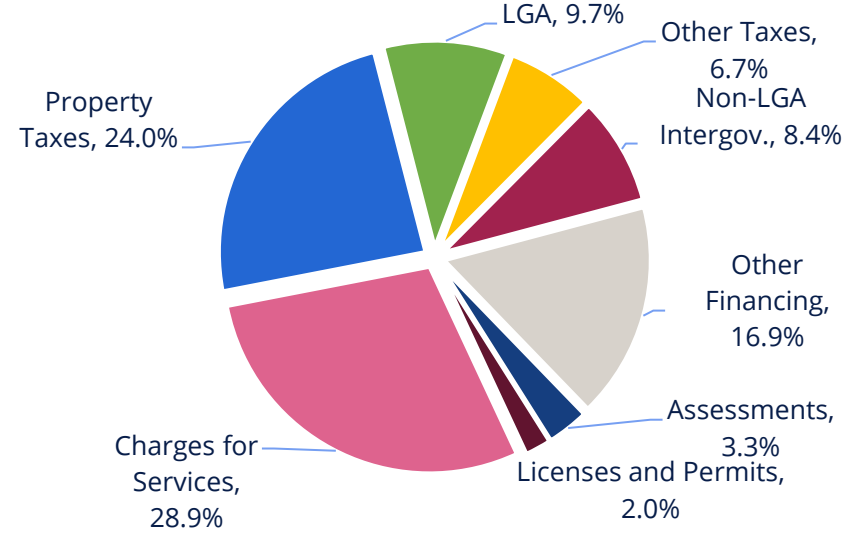
# City and Library Revenue Sources

### General Fund



**68.8%** Property Taxes and LGA

### All Funds



**33.8%** Property Taxes and LGA



# Budget Gap

## Sample gap and solve:

### \$18 Million Budget Gap:

- Inflationary growth of wages and healthcare contracts
- Phasing ARPA-funded costs back to city general fund
- Planned increases/tails
- Debt levy

### Balancing the Budget:

- 3.7% increase in property tax levy
  - \$7.4M
- \$8.8M in LGA
- Revenue growth (inflationary and policy-driven)
- Strategic department budget reductions

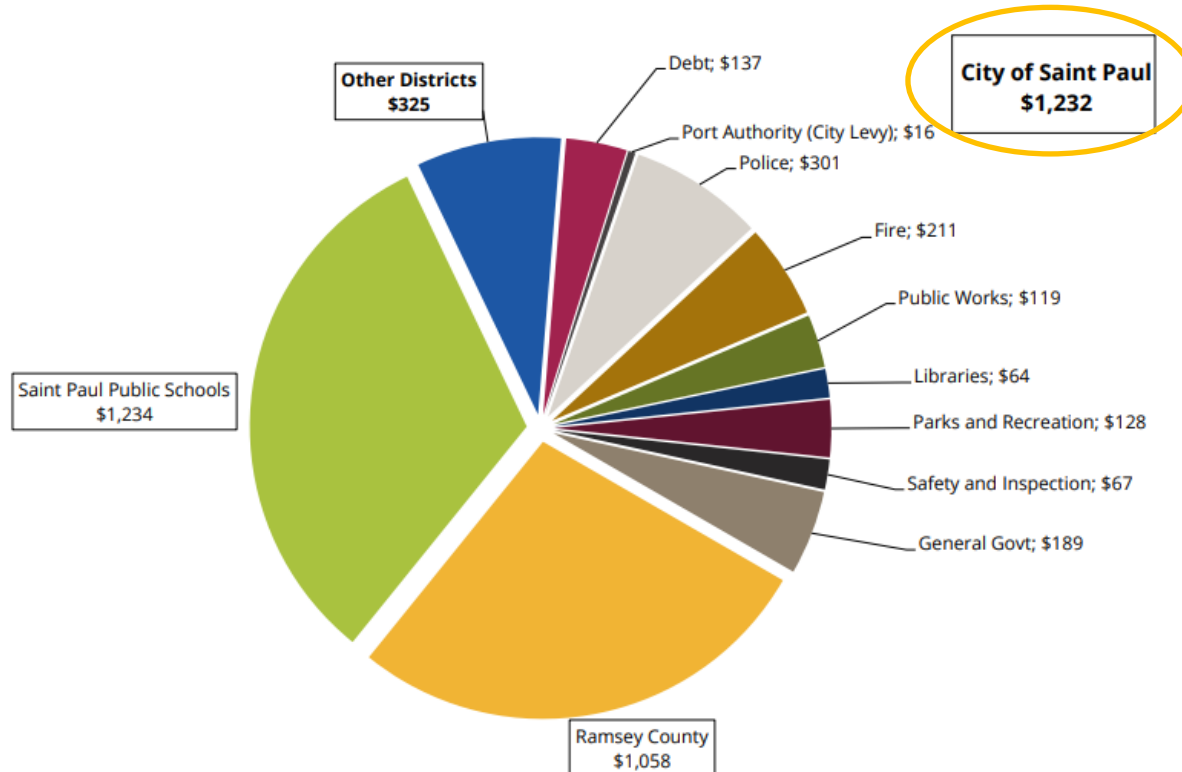


# Property Taxes

- **Reliability:** property taxes are the primary revenue that the Mayor and City Council control. Other revenues, like fines or fees can be tweaked but are largely estimates and can fluctuate.
- **Flexibility:** unlike some aid or grants that are restricted to specific uses, property tax dollars can be used to support all City operations, including personnel.
- **Public impact:** property taxes are one of the most direct ways residents and business owners feel the impact of City financial decisions.
- **Scale:** property taxes make up 47% of City and Library general fund revenues.



## 2024 Estimated Tax Rates Applied to a Typical Home Valued at \$267,400





## How does the levy work?

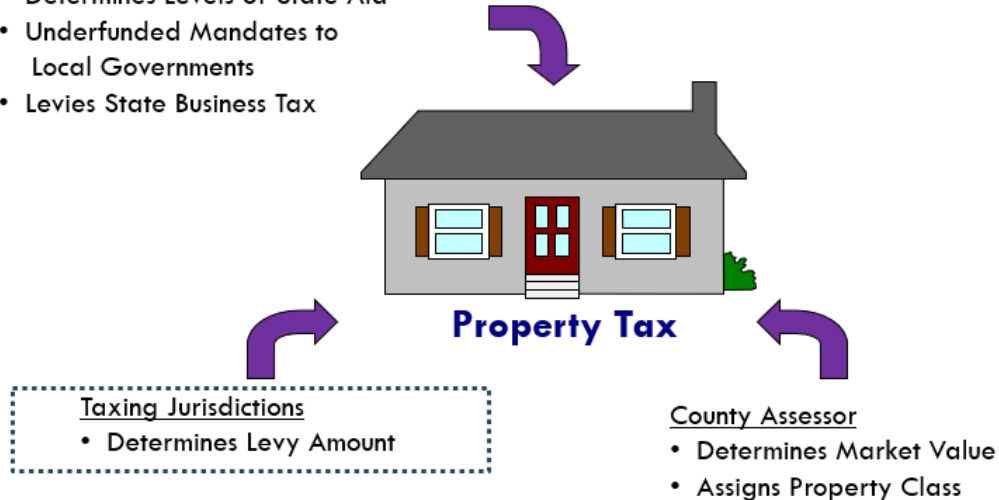
- Minnesota's property tax system is unlike other states
  - Other states: the amount of taxes collected by the city rises and falls with property values, by a set rate (mill rate).
  - Minnesota: the city sets a levy and collects it regardless of what happens to property values. **The total amount collected can only be changed by changing the levy itself, not by increases/decrease in property values alone.**



# Who determines how much a property owner pays?

## State Legislature

- Sets Property Tax Policy
- Establishes Property Classes & Class Rates
- Determines Levels of State Aid
- Underfunded Mandates to Local Governments
- Levies State Business Tax





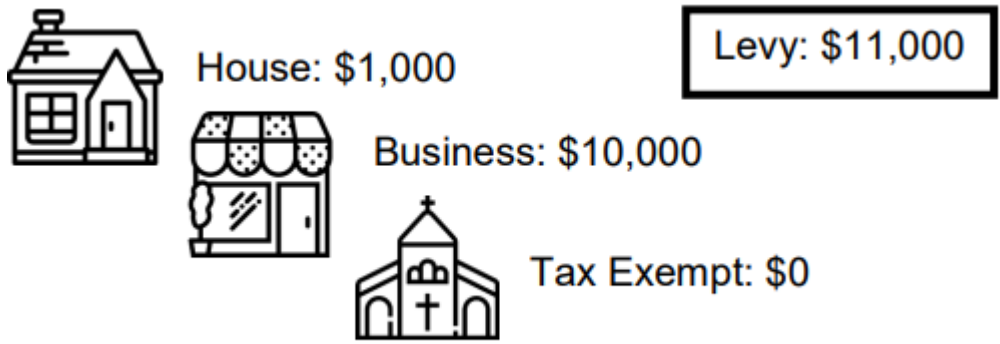
## What factors affect property taxes?

- Changes to the tax levy
- Changes to the market value of a property
- Changes in market values for the area or a particular type of property
- Legislative changes to the property classification rates, state aid formulas, and other tax laws
- Legislative unfunded mandates (usually seen as an increase in local government tax levy)
- New taxes approved by referendum





## Baseline Scenario





## Scenario 1: Burden Shift from Residential to Commercial



House: \$900

Levy: \$11,000



Business: \$10,100



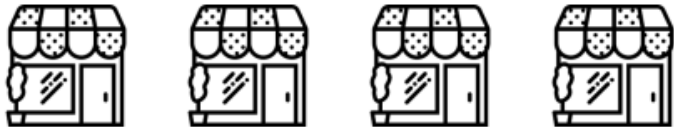
Tax Exempt: \$0



## Scenario 2: Growth in Tax Base



Each House: \$250



Each Business: \$2,500



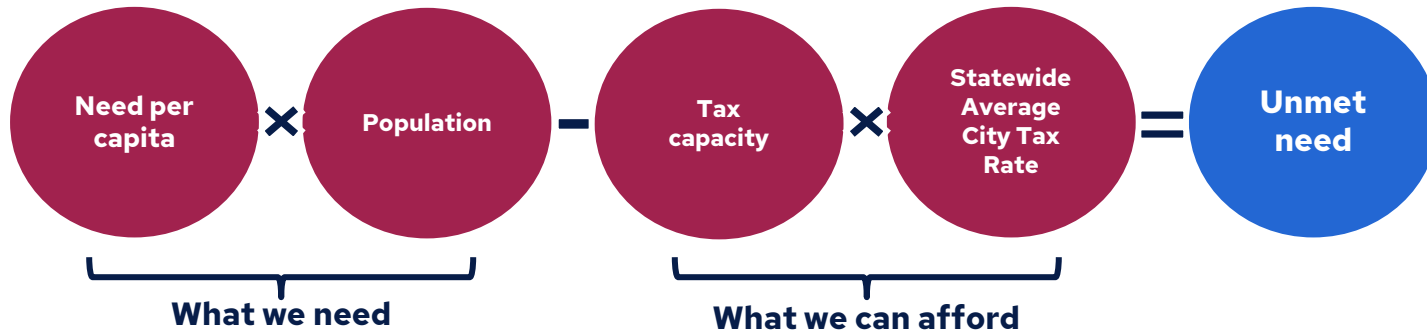
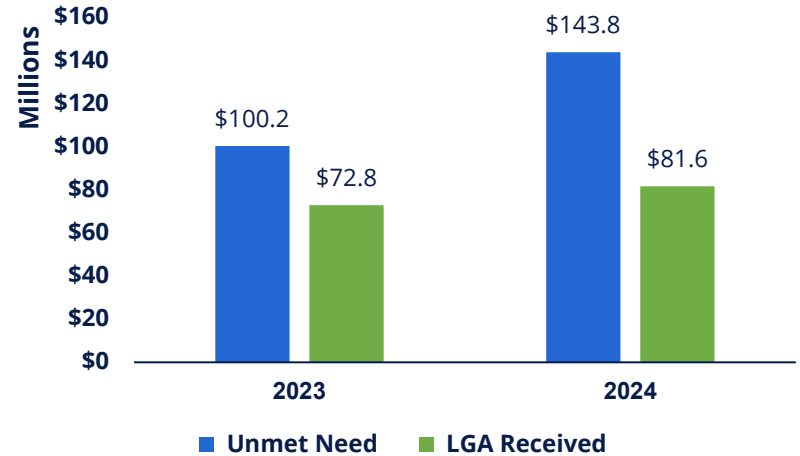
Tax Exempt: \$0

Levy: \$11,000



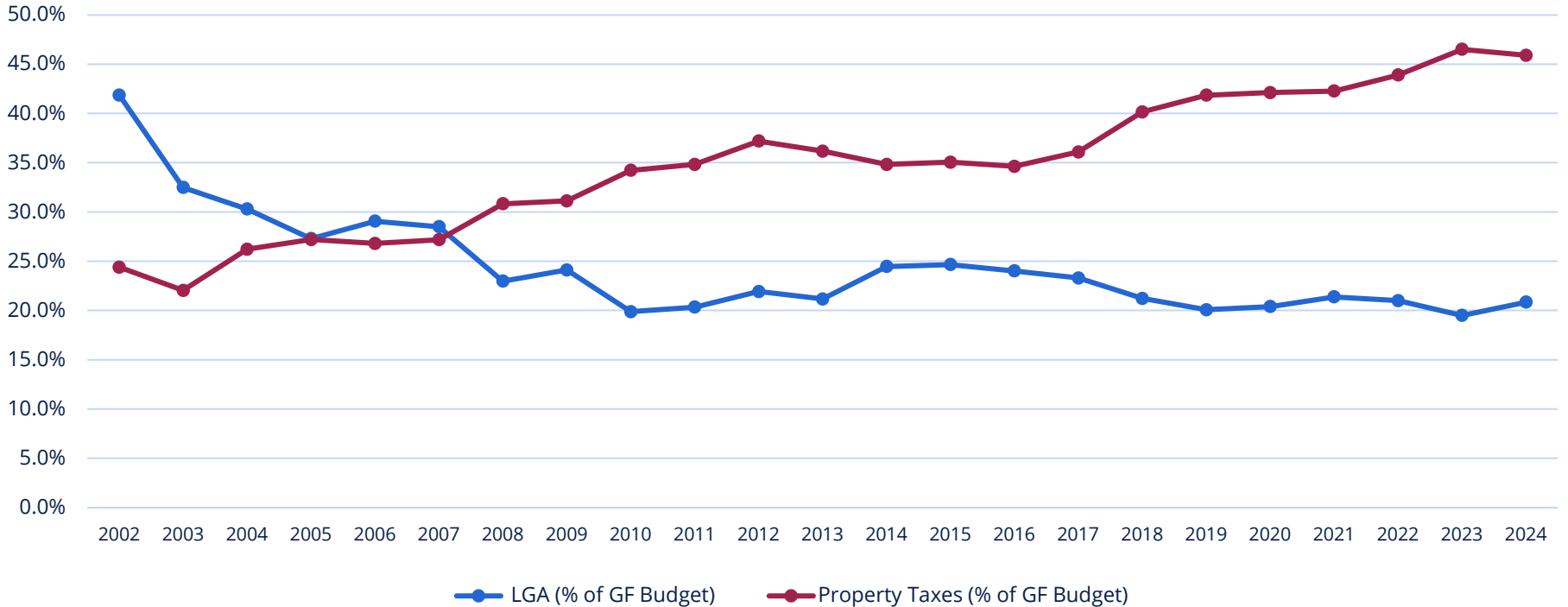
## Local Government Aid

- \$8.8M increase in LGA
  - \$72.8M to \$81.6M
  - Equivalent to 4.5% levy increase
- 2024 highest allocation since 2002
- Saint Paul continues to have both the largest unmet need and largest gap between unmet need and LGA received





## City of Saint Paul LGA and Property Taxes as % of General Fund Budget





## Other General Fund Revenues

- **Franchise fees**
  - Paid by utilities for use of City streets and right-of-ways
  - Under state law, can be passed on to utility customers
  - Negotiated agreements with Xcel Energy, Comcast, and District Energy
  - **2024 budget:** \$27.46M
- **Paramedic fees**
  - 36,000+ medical emergency calls each year
  - Transportation and life support services
  - Mostly paid through insurance, Medicare, and Medicaid
  - **2024 budget:** \$14M
- **Parking meters and fines**
  - Still recovering after significant decline in 2020
  - Pre-pandemic high point: \$8.4M
  - **2024 budget:** \$4M



## Other General Fund Revenues

- **Hotel and motel tax**
  - 6% on hotels with more than 50 rooms, 3% under 50.
  - Receipts divided among City's General Fund and the RiverCentre Convention and Visitors Authority (RCVA)
  - **2024 budget:** \$4.5M (\$1.9M General Fund)
- **DSI revenues**
  - Includes building permits, zoning plan review, business licenses, certificate of occupancy
  - **2024 budget:** \$20.6M
- **Municipal State Aid**
  - Funding distributed via MN Department of Transportation for transportation infrastructure improvements.
  - **2024 budget:** \$4.7M for maintenance in operating budget, \$14.5M capital



## Special Fund Revenues

- **Sales tax**

- Half-cent sales tax (STAR)
  - Established in 1993
  - STAR formula:
    - Neighborhood and Cultural STAR shall not be less than 60%
    - Cultural STAR must equal 10% of Neighborhood + Cultural
    - Rivercentre + Economic Development may equal up to 40%
  - **2024 budget:** \$22M
- One cent sales tax (Common Cent)
  - Established in 2024
  - Funds \$1 billion in streets (\$738M) and parks (\$246M) infrastructure over 20 years
  - **2024 budget:** \$21.9M capital, \$2.5M operating







## Special Fund Revenues

- **Recycling**
  - Quarterly rate for large cart in 1-4 unit residential properties: \$135
  - **2024 budget:** \$14.1M
- **Trash**
  - City cost of program administration per agreement with Haulers Consortium: \$33 per unit
  - **2024 budget:** \$2.8M
- **Sewer**
  - Sanitary: base rate + volume fee based on ccf (one hundred cubic feet)
  - Storm: per parcel, \$120 in 2024 for most residential 1-2 family homes
  - **2024 budget:** \$75.3M
- **Water**
  - Base fees + usage rates
  - **2024 budget:** \$81M



# Taxes and Fees on a Typical Home

Typical home valued at \$266,300 in 2023 and an estimated \$267,400 in 2024

	2023	Estimated 2024	Change
City Share of Property Tax	\$1,280	\$1,232	-\$48
Sanitary Sewer Charges (3.5% volume fee increase)	\$314	\$324	\$10
Storm Sewer Charges (6.5% increase)	\$113	\$120	\$7
Recycling Fee	\$129	\$135	\$6
Residential Waste Collection	\$33	\$33	\$0
<b>Subtotal: Direct Billing for City services</b>	<b>\$1,869</b>	<b>\$1,844</b>	<b>-\$25</b>
Water Charges (SPRWS)	\$381	\$416	\$35
<b>Grand Total: All City Services</b>	<b>\$2,250</b>	<b>\$2,260</b>	<b>\$10</b>

City of Saint Paul

[stpaul.gov/budget](http://stpaul.gov/budget)



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