



## Legislation Text

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**File #:** RES PH 11-1118, **Version:** 1

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Amending spending and financing plans to address a reduction in local aid from the State of Minnesota.

WHEREAS, during the 2011 legislative session, the State of Minnesota reduced state aids to local governments to help balance its biennial budget, which resulted in a Local Government Aid (LGA) reduction of \$12,184,544 and a Market Value Homestead Credit (MVHC) reduction of \$3,438,536 for a total aid reduction to the City of Saint Paul of \$15,623,080 for the 2011 budget year; and

WHEREAS, shortly after the legislative session the Mayor reported this projected shortfall to Councilmembers along with a strategy to address this loss of revenue; and

WHEREAS, the Mayor's strategy included a review of contingency funds set aside in the 2011 budget, an analysis of available fund balance, a review of additional revenue sources, and continued department spending restraint and vacancy savings; and

WHEREAS, in 2005 the City Council in CF 05-1187 adopted a General Fund - Fund Balance Policy which provides that the City will maintain a Fund Balance equal to at least 15% of the next year's budget general fund expenditures; and

WHEREAS, the policy further provides that if the fund balance level falls below the 15% minimum threshold due to reasons unexpected, a replenishment plan will be developed; and

WHEREAS, on December 26<sup>th</sup>, 2008 with 5 days remaining in the City's fiscal year, the State of Minnesota unallotted \$5,688,653 of the City of Saint Paul's certified Local Government Aid (LGA) payment, dropping the year ending 2008 fund balance below the 15% minimum threshold, and

WHEREAS, in July 2009 the State of Minnesota unallotted \$5,030,573 of the City of Saint Paul's certified LGA payment, thereby creating a projected revenue shortfall for the City fiscal year 2009, and

WHEREAS, during the 2010 legislative session, the State of Minnesota reduced its certified LGA payment to the City of Saint Paul by \$1,960,904 and Market Value Homestead Credit payments due to the City of Saint Paul by, \$3,480,043 for a total aid reduction of \$5,440,947 in City fiscal year 2010, and

WHEREAS in every instance of unallotment noted above, the City developed and executed a replenishment plan as required by the City's General Fund - Fund Balance Policy to bring the General Fund Balance back to the minimum 15% threshold; and

WHEREAS the Council adopted these replenishment plans via resolutions 09-483, 09-1236, and 10-964, respectively; and

WHEREAS, the Mayor has developed such a replenishment plan to address the 2011 reduction of \$15,623,080, which includes both spending reductions and revenues enhancements in budget year 2011, as well as proposed levy financing in budget year 2012 to restore the City's General Fund - Fund Balance as quickly as possible, and

WHEREAS, the City of Saint Paul's long term General Obligation bond rating is AAA and Aa1 by Standard &

Poor's and Moody's rating services respectively; and

WHEREAS, the City of Saint Paul's management practices have been assigned a Financial Management Assessment (FMA) of strong, the highest rating possible, by Standard & Poor's; and

WHEREAS, the Mayor and City Council are committed to continue sound management of City finances to maintain favorable ratings from the bond rating services which lowers project costs to the benefit of the City's budget and its residents; and

WHEREAS, the Mayor and City Council, after recognizing the previously mentioned local aid reduction, find it prudent to minimize the use of fund balance in the General Fund by formally reducing the 2011 General Fund spending by \$4,410,798 and Library Agency spending by \$322,009 for a total spending reduction of \$4,732,807; and

WHEREAS, the Mayor, in accordance with section 10.07.01 of the City Charter, has certified net revenues for appropriation totaling \$11,273,746 in the General Fund and \$540,000 in debt funds; now, therefore be it

RESOLVED, the City Council approves the amendments to the 2011 budget as detailed on the attached Financial Analysis.