CITY OF WEST ST. PAUL

City Council Report

To: **Mayor and City Council**

Through: **Ryan Schroeder, City Manager**

From: **Char Stark, Finance Director**

Date: **March 22, 2021**

Financial Plan Policy

BACKGROUND INFORMATION:

At year-end 2016, the City of West St. Paul was in the following financial position:

- Cash within the entire organization was at $13.7 million
- Debt across all funds was at $40 million
- Net cash was in decline as debt to be issued in 2017-2019 would be an additional $26 million of which $12 million was for previously incurred Robert Street project costs with the remainder for additional infrastructure projects in queue
- Taxable market values had not yet recovered from pre-recession (2008) levels

Response

The City Council addressed financial challenges by adopting a number of policy changes including:

- Recrafting Capital Equipment and Capital Improvement Plans to avoid the need for future debt issuance
- Adoption of two-year budgets beginning with the 2019-20 budget adopted in 2018
- Adoption of new fiscal policies and ten year financial plans and projections
- Implementation of Local Option Sales Tax in 2020 toward collector pavement management projects
- Direction to pursue third party funding for infrastructure projects
- Supported and partnered with Dakota County toward roadway, sidewalk gap, library, and park improvements within West St. Paul

Current YE 2020 Financial Position

At year-end 2020, City staff is projecting:

- $53 million in outstanding debt
- $33 million in cash across all funds
- Projecting positive net cash achievement by 2027 (note: significant progress since 2016 even as additional debt issuance has been required)
- Taxable market values have exceeded previous pre-recession highs with continued growth projected

Financial Plan and Policy Direction

Through the various policy documents, the City Council has set West St. Paul on a path toward long-term financial improvements. The summation of this policy direction follows:

- *Achieve positive cash by 2027, retire or refund all existing debt by 2035 minimizing new debt issuance*
  1. Cash Balance targets have been adopted for all major funds to improve liquidity and financial flexibility
  2. Excess year-end revenues are distributed to Debt Reduction (35%), Equipment Replacement (25%), Building Fund (25%), Pavement Management (15%) to strengthen fiscal capacity
  3. Debt may be issued for force-main/lift station replacement between 2021 and 2023 with all other utility, roadway, park, and facilities improvements conducted on a pay-go basis allowing annual reductions in outstanding debt
  4. Projects eligible for third party funding are prioritized
  5. Debt mitigation fund created and call dates monitored to pay off or refund high interest and/or long term debt

- *Allocate future reductions in annual debt levies toward moderation of tax rate and capitalization of infrastructure and facilities funds:*
  1. Maintain a level tax levy in order to fund the following:
     a. Priority 1 and 2 pavement management projects are partially funded through sales tax, MSA and related funds. There is a current gap in funding for neighborhood streets, alley paving, public pipe lining, and sidewalk construction.
     b. Future major maintenance and remodel projects at City Hall, Public Works, and South Metro Fire require funding to maintain integrity of the assets.
     c. Allocate sidewalk levy to sidewalk gaps within pavement management projects and to local match for ped/bike grant funded projects.
     d. Allocate funds for additional pipe lining for all citywide sewer utilities.
     e. Allocate debt levy savings to offset general operating tax levy increases.

Summation

The fiscal direction that existed at YE 2016 was not sustainable. The past two City Councils have course corrected. Continuance of the current fiscal direction/policies will create significant benefit to property taxpayers, residents, businesses and other stakeholders within the community. Benefit would accrue in future tax rate moderation. The larger benefit is the opportunity to reallocate annual tax levies currently dedicated toward debt, instead, to value add expenditures such as pavement management and community facility improvements.

FISCAL IMPACT:

		Amount
Fund:		
Department:		
Account:		

STAFF RECOMMENDATION:

Council Action:
By motion, adopt the enclosed resolution re-affirming the above financial policies.

ATTACHMENTS:

Financial Plan policy
Cash goals
Infrastructure and Facilities Funding Gap
Total Levy Reallocation graph