



Answers to questions you may have regarding the City of Duluth budget:

1. What is the total 2008 budget for the City of Duluth?

The total expenditures for 2008 is \$259 million - of which \$80,993,300 is the General Fund.

2. What comprises the services funded in the General Fund?

The General Fund is where you will find the budget for city services such as Police and Fire; Public Works and Street Maintenance, Parks, Libraries, Planning and Development, as well as the departments that support these services - Legislative and Executive, Finance and Administrative Services.

3. What are the other funds and why are they separate?

The City organizes and operates its accounting system on a "fund basis" - with each fund as a distinct self-balancing accounting entity. Besides the General Fund, the fund types used in the budget process are Internal Service; Enterprise; Capital Projects; Debt Service; Special Revenues. The City budgets for 36 separate funds ranging from each of the five utilities as enterprise funds; five internal service funds; four capital projects funds; five debt service funds, one general fund; two additional enterprise funds - parking and golf; and 14 special revenue funds. Each fund is distinct from every other fund, with its own "set of books".

4. What about the Community Investment Trust Fund, Tourism Tax Fund, the Aquarium, Sister Cities, Public Arts etc. How do they fit in with the City?

The Community Investment Trust Fund is a special revenue fund - which accounts for the proceeds paid to the City by the Fond du Luth Casino. In 1995 Duluth citizens voted to create a trust, with the earnings on the principal dedicated primarily to paying street improvement program debt; or use of the principal for any other purpose which is approved by a 7/9 vote of the City Council.

The Tourism Tax Fund is also a special revenue fund that accounts for the revenue generated by taxing food, beverage, and hotel-motel receipts in the city. For 2008, the estimated revenues are \$5.9 million. These taxes were established under State Statute and many are designated for particular uses—Visit Duluth and the DECC, for example. The City's General Fund receives about 18%, or \$1.078 million, from non-designated monies for reimbursement of tourist related expenses and services provided by City staff. Other entities that receive non-designated dollars are the Depot, Sister Cities, Public Arts Commission, and donations to tourist-related events. Any money given to the Great Lakes Aquarium to offset their operating expenses also comes from here, not the General Fund as many people believe. If the Mayor and Council decided to not fund any of these non-designated activities, the money would have to be reallocated to some other tourism-related expense since it cannot be used for non-tourism related purposes.

5. How many employees are in the 2008 budget and how does that compare to past years?

For 2008, there are 851.5 FTE's budgeted citywide. The number has been reduced by 11%, or 103.5 employees since 2001.

6. What is the average pay and benefit cost of a city employee?

For 2008, the average cost of an employee is \$72,000.

7. What do property taxes pay for?

For 2008, the City's property tax levy totaled \$13,543,600 - which was 10.9% above the 2007 levy. Of the increase, \$312,900 from retired TIF Districts was dedicated to OPEB; \$125,000 for grant matching funds for new police officers; \$261,300 pertaining to new growth for the street improvement program debt; \$547,100 for other general obligation debt and transit levy debt; \$188,900 for other general operations; all offset by a decrease of \$100,000 for the city's permanent improvement levy. Of the \$13.5 million levy, only \$7.8 million goes to the General Fund, and of that amount \$4.9 million is used to pay Street Improvement Debt. This means that only \$2.9 million is available for city services funded in the General Fund.

8. What is fund balance for year-end 2007?

The audit for the city is currently being prepared by the Auditor's Office of the Finance Department with final, audited figures available at the end of June. The city has a policy of having a minimum of five percent (5%) of expenses for fund balance reserve, with an optimal goal of ten percent (10%). At this time, we are estimating the undesignated, unreserved fund balance for the General Fund to be \$3.0 million as of December 31, 2007, which is down a half million dollars from 2006, and almost \$1.0 million short of the *minimum* fund balance goal.

9. For 2008, what are the main factors impacting our budget?

We have a revenue problem this year - basically caused by factors related to the economy, several of which were not known when the budget was adopted in late 2007. We are anticipating a shortfall in pension aids from the State of about \$2.8 million, as well as \$1.37 million less in earnings on investments. We are also anticipating motor fuel cost overruns of about \$250,000. Add to that a \$1.0 million fund balance recovery goal, and the total 2008 budget shortfall is \$5.42 million.

10. Moving ahead, what is anticipated for 2009 and beyond?

2009 will be an even more difficult year than we anticipate 2008 to be. Revenues will continue to present challenges - we are paying close attention to Local Government Aid, other state aids, earnings on investments, and sales tax. All of these revenues are affected by a weakening economy. On the expense side, we have union contracts in place for 2009 which helps in planning the expense budget. Increases in the General Fund's share of pay-as-you go retiree health insurance are projected per the actuary study to average about \$800,000 each year. Taken all together, we are projecting a budget gap of \$8.4 million for 2009. That number will be reduced by any permanent reductions in expenses or increases in revenues that are implemented this year.