

Property Taxes

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Property tax revenues account for 30% of General Fund revenue. In any given year several factors affect how much an individual property owner pays in city property taxes, including the following:

- City spending and financing needs
- Size of the tax base.
- Composition of the tax base.

City Spending and Financing Needs

Property tax is the primary revenue source that the Mayor and City Council control. The state establishes guidelines by which property taxes are administered, including how the tax burden is spread among different types of properties, but local elected officials have discretion over how much total property tax revenue to collect. As a result, city spending pressures and the availability of other funding, like state aid and local fees, often dictate the size of the property tax levy in any given year.

Minnesota Property Tax Class Rates <i>Payable in 2009</i>	
Property Type	Class Rate
Residential Homestead	
Up to \$500,000	1.00%
Over \$500,000	1.25%
Residential Non-Homestead	
Single Unit	
Up to \$500,000	1.00%
Over \$500,000	1.25%
2-3 Unit	1.25%
Apartments (4 or more units)	1.25%
Commercial/Industrial	
Up to \$150,000	1.50%
Over \$150,000	2.00%

Property Tax Base

The size of the property tax base is a function of taxable market value and the composition of the tax base. Yearly changes in market values are attributable to many factors, the most important of which is the demand for both residential and commercial property. As property values increase, the size of the tax base also increases. A larger base allows for a broader distribution of the tax burden, which results in a lower tax rate.

Tax Base and Class Rates

The composition of the tax base determines the relative distribution of the tax levy among taxpayers. The State of Minnesota has established a class rate system which allocates different shares of property tax burden based on the use of a property (*see chart*). Apartments, residential homes, and commercial/industrial properties all have a different class rate. Taxable market value and the class rate both determine the tax capacity of an individual property. A higher class rate will result in a relatively higher tax capacity. Based on the class rate structure, one dollar of commercial/industrial property has a greater tax capacity than one dollar of residential property.

St. Paul Taxable Market Value	
Payable in 2007	\$21,103,230,000
Payable in 2008	\$23,100,364,900
Payable in 2009 (est.)	\$22,841,115,900

St. Paul Net Tax Capacity (mkt. value x class rate)	
Payable in 2007	\$213,227,021
Payable in 2008	\$229,756,376
Payable in 2009 (est.)	\$228,009,535

Property Taxes

2009 Adopted Budget and Levy

The 2009 adopted City levy is \$89.3 million. Of the total levy, \$87.1 million will fund city activities, \$60.2 million will go to the City's General Fund, \$10.9 million will fund debt service, and \$16.1 million will fund the St. Paul Public Library Agency. The City also levies taxes on behalf of the St. Paul Port Authority, whose 2009 levy is \$2.1 million. The City's tax rate is projected to increase slightly in 2009. (see graph below).

Tax Dollars and the Services They Buy

Taxpayers often wonder what happens to the property taxes they pay. Here is an example for a typical home in Saint Paul in 2009:

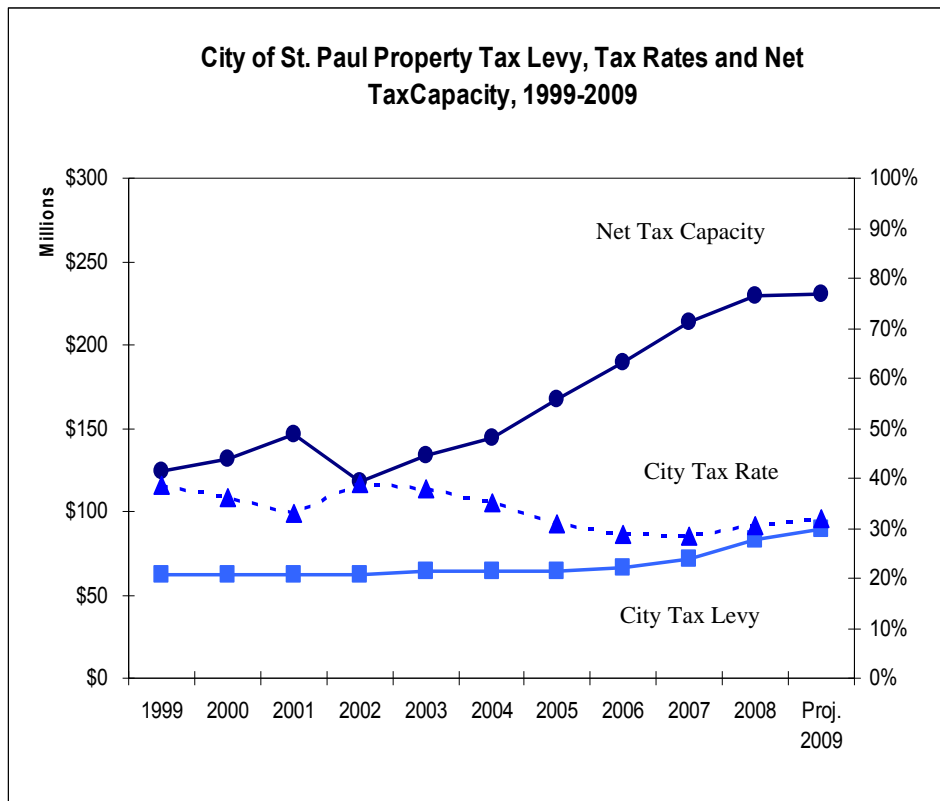
The property tax bill is a combined statement covering the City of Saint Paul, School District 625, Ramsey County, and other "special taxing districts" such as the Metropolitan Council and local watershed districts. In 2009, a home with a taxable value of \$183,000 had a total property tax bill of \$2,029.

The single largest share of a property tax bill goes to the county and then to the school district. The City receives about 26% of the total tax payment – \$529 in this example.

For this particular home, the property tax payment of \$529 to the City of St. Paul would break down to the following amounts:

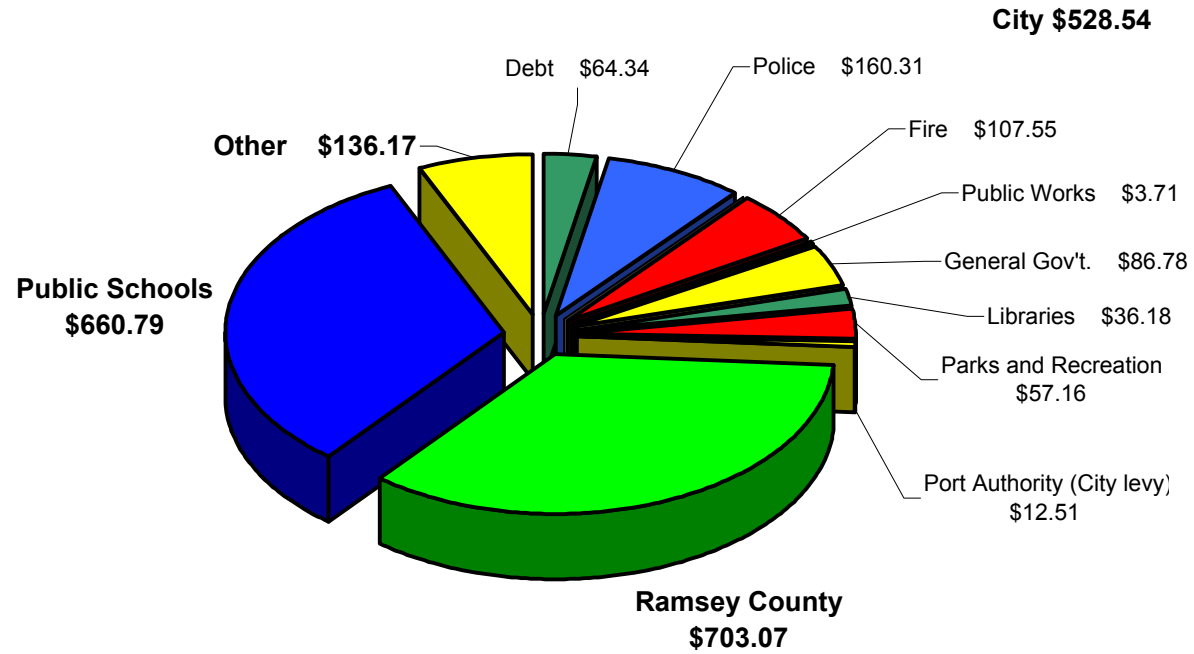
- \$160 per year for police services
- \$104 per year for fire and emergency medical services
- \$57 per year to operate and maintain the park and recreation system
- \$36 per year to operate and buy materials for the Saint Paul Public Libraries
- \$64 per year for capital debt service—the cost of building new libraries, rec centers and playgrounds, and street construction
- \$13 per year for the City levy on behalf of the Saint Paul Port Authority
- \$95 per year on all other general government services

Property taxes cover only a small part of the total cost of services. In total, property taxes supply only about 12% of the City's total revenue and cover just under 30% of the General Fund budget. In comparison, the City's total proposed 2009 property tax levy for all purposes—approximately \$89 million—is less than the \$99 million total operating budget of the Police Department.



Estimated 2009 Saint Paul Property Taxes

2009 TNT Rates Applied to a Typical Home Valued at \$183,000



Major General Fund Revenues

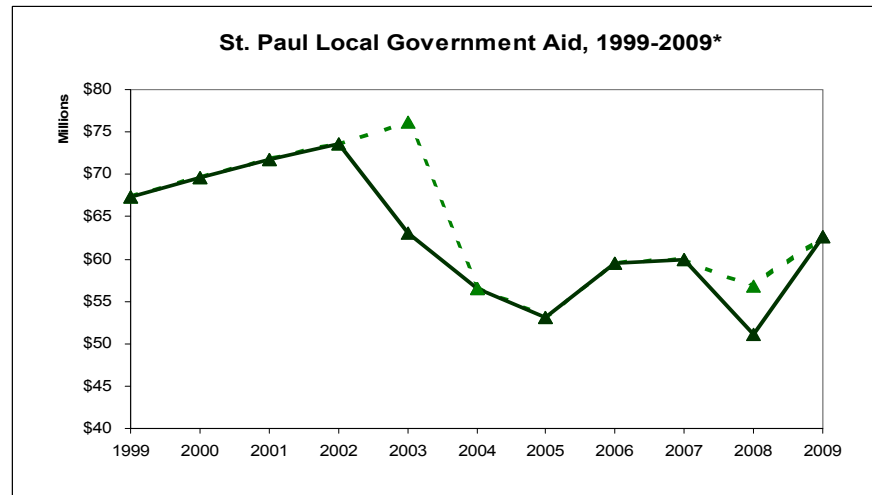
Local Government Aid (LGA)

Local Government Aid is intended to provide property tax relief to Minnesota cities. The state provides Local Government Aid to cities throughout Minnesota based on a “need/capacity” formula that compares each city’s tax base to an estimated level of spending needs based on local conditions. Cities which will not have enough local revenue capacity to meet their spending needs under this formula receive Local Government Aid.

For many years, LGA was adjusted each year based on inflationary growth. In 2003, the Governor and Legislature approved funding and formula changes that greatly reduced Saint Paul’s aid. LGA dropped from \$76 million in certified aid in 2003 to \$53 million by 2005, a 30% funding cut over two years.

During the 2008 legislative session, the legislature raised the overall LGA appropriation for the first time since 2006, which increased Saint Paul’s share by \$5.8 million. The increase restores part of the 2003 reduction, but LGA is still \$13.5 million below the certified 2003 level. However, in response to the recent state budget crisis, the Governor unallotted (reduced) Saint Paul’s 2008 LGA payment by \$5.7 million. Additional reductions in 2009 and 2010 are possible during the 2009 legislative session.

St. Paul Local Government Aid 1999-2009		
	LGA Funding	Certified Change
1999	\$67,345,179	2.3%
2000	\$69,653,919	3.4%
2001	\$71,739,170	3.0%
2002	\$73,554,056	2.5%
2003	\$76,129,865	3.5%
2003*	\$63,082,166	-14.2%
2004	\$56,488,168	-10.5%
2005	\$53,151,835	-5.9%
2006	\$59,544,561	12.0%
2007	\$59,961,201	0.7%
2008	\$56,781,644	-5.3%
2008*	\$51,092,991	-14.8%
2009	\$62,600,018	10.2%



* The Legislature enacted mid-year LGA adjustments in 2003 and 2008 to assist with the state budget shortfalls. The original certified and revised amounts are both reflected here.

Franchise Fees

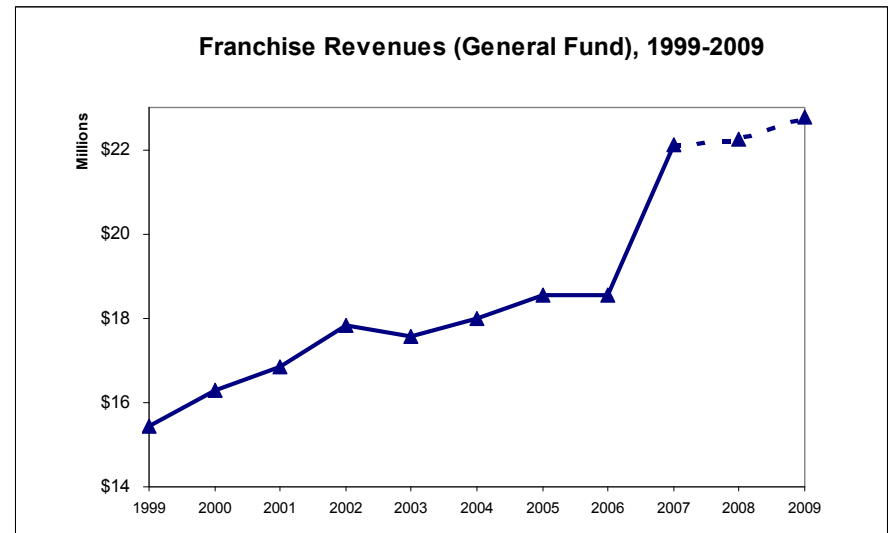
Utilities pay the City of St. Paul a fee for use of City streets and right-of-ways in delivering services to the citizens and businesses of St. Paul. This fee represents usage charges for City-owned assets that utilities may use or disrupt in the process of constructing, installing, and maintaining their distribution and delivery systems.

Under state law, utilities may pass on their fees to utility customers on monthly bills. For each utility, the franchise fee is based on a negotiated formula adopted by City Council ordinance. The budgeted increase for 2009 is due to modest expected growth and an increase in negotiated deferred franchise fees from District Energy.

St. Paul Franchise Agreements for 2009:

- ❖ Xcel Energy supplies natural gas and electrical service to St. Paul homes and businesses.
- ❖ Norenco, now owned by NRG Thermal, supplies steam power to the Rock-Tenn facility on Vandalia St.
- ❖ District Cooling, part of District Energy, supplies cooled water for air conditioning in most of downtown St. Paul.
- ❖ District Energy* provides heat to much of downtown St. Paul and electricity to Xcel Energy.
- ❖ Energy Park is the heating and cooling utility serving customers in the Energy Park development.
- ❖ Empire Builder is the heating and cooling utility serving the Empire Builder development north of downtown St. Paul.

	Budget	Actual	
1999	\$16,360,345	\$15,441,543	94.4%
2000	\$16,426,045	\$16,303,980	99.3%
2001	\$16,426,045	\$16,842,475	102.5%
2002	\$17,516,184	\$17,839,903	101.8%
2003	\$17,516,184	\$17,557,960	100.2%
2004	\$17,730,603	\$17,983,410	101.4%
2005	\$17,840,511	\$18,559,769	104.0%
2006	\$18,179,867	\$18,553,748	102.1%
2007	\$21,377,323	\$21,922,859	102.6%
Budget 2008	\$22,251,500	-	
Budget 2009	\$22,906,342	-	

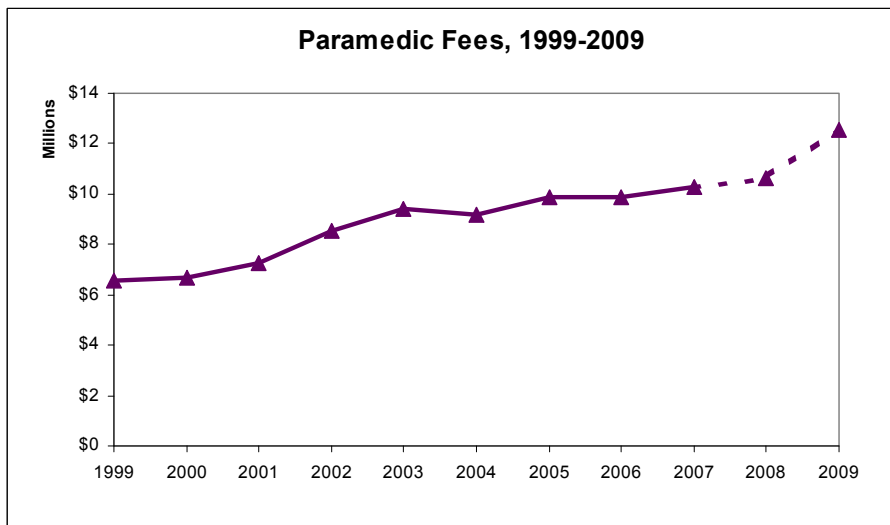


Paramedic Fees

Paramedic Fees

The St. Paul Fire Department's paramedics and emergency medical technicians respond to nearly 27,000 emergency calls each year. Most of their calls require ambulance trips to hospitals from fires, accidents or other incidents. For these transportation and life support services, the Fire Department charges a series of fees. Most of these fees are paid through insurance, and are based on the prices of private providers and other municipalities. Medicare and Medicaid reimburse for paramedic services at a fixed rate below that of most providers, which can reduce the collected fee per run.

Paramedic fees support the General Fund, which also supports the majority of spending on Fire and Safety Services. In 2009 the budget is increasing by \$1.9 million to reflect improved collections, plus a 10% increase in transport fees and miscellaneous increases in the mileage, standby and service fees.



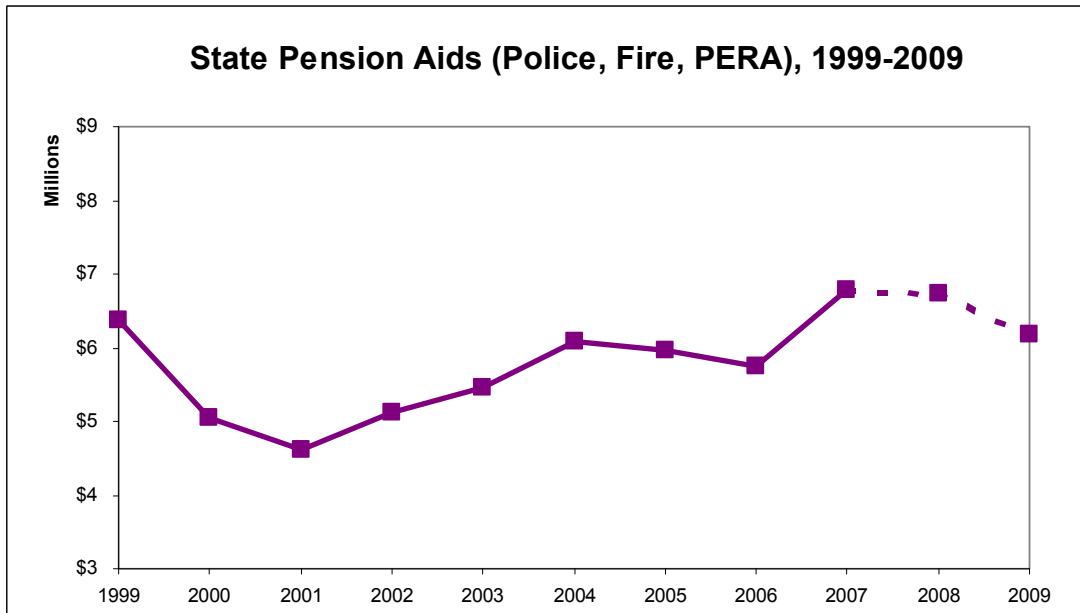
	Budget	Actual	
1999	\$6,866,260	\$6,549,344	95.4%
2000	\$6,400,000	\$6,700,541	104.7%
2001	\$6,540,000	\$7,274,858	111.2%
2002	\$7,339,000	\$8,530,288	116.2%
2003	\$9,563,455	\$9,402,844	98.3%
2004	\$9,926,767	\$9,200,000	92.7%
2005	\$10,655,407	\$9,856,956	92.5%
2006	\$10,200,000	\$9,876,413	96.8%
2007	\$11,835,896	\$10,279,110	86.8%
Budget 2008	\$10,641,856	-	
Budget 2009	\$12,530,936	-	

State Pension Aids

The state distributes aid to Police and Fire retirement programs in counties and municipalities based on fire and auto insurance premiums collected in the state. Taxes paid by insurers on those premiums are used to partially offset police and fire pension employer contribution costs. St. Paul receives aid for Police and Fire pensions based on a number of factors:

- the number of full-time firefighters and sworn police officers St. Paul employs
- the uncovered liabilities (if any) of the police and fire pension funds
- the premiums collected by insurance companies in Minnesota

State aid is also provided to support PERA, the pension fund that includes non-Police and Fire City employees. The vast majority (92%) of state pension aid is related to Police and Fire. In 2009, pension aids are budgeted to decrease to \$6.17 million due to lower fire and auto insurance premium collections and formula complexities that cap Saint Paul's aid amount.

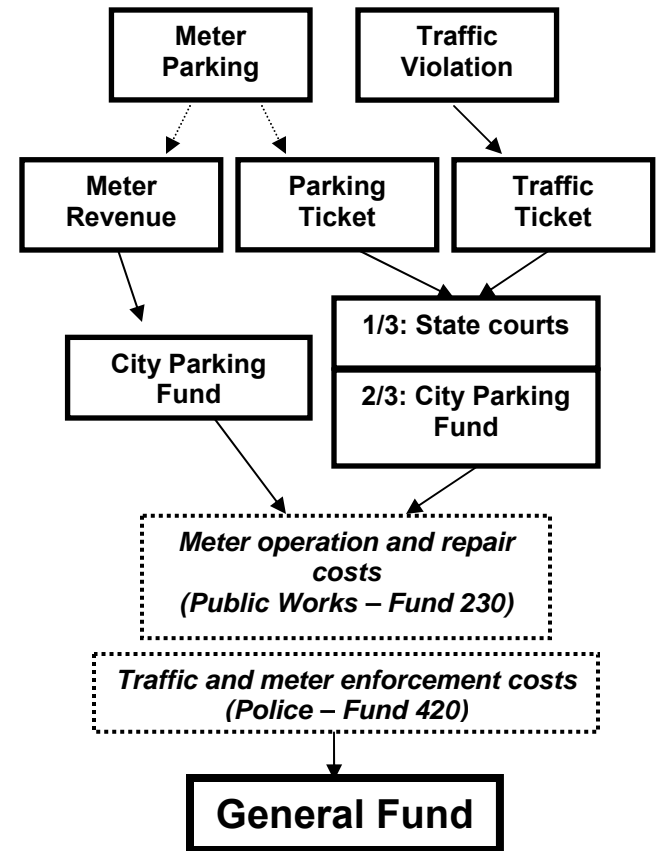


	Budget	Actual	
1999	\$6,482,512	\$6,372,157	98.3%
2000	\$4,717,512	\$5,044,659	106.9%
2001	\$4,945,633	\$4,618,796	93.4%
2002	\$5,170,633	\$5,111,382	98.9%
2003	\$5,020,472	\$5,447,696	108.5%
2004	\$5,017,512	\$6,086,374	121.3%
2005	\$5,303,198	\$5,957,264	112.3%
2006	\$6,186,094	\$6,270,624	101.4%
2007	\$5,957,264	\$6,626,452	111.2%
Budget 2008	\$6,736,230	-	
Budget 2009	\$6,172,731	-	

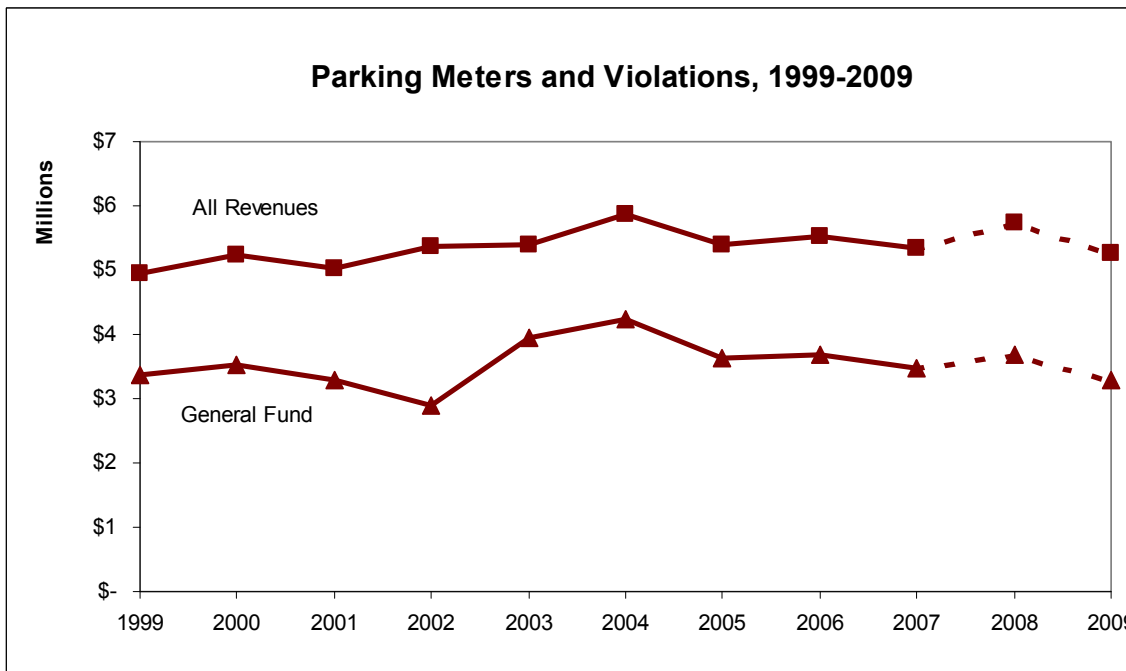
Parking Meters and Fines

The City operates over 1,000 parking meters in areas around St. Paul, and St. Paul Police enforce both parking rules and the state's traffic laws on St. Paul streets and highways. Revenues from meters and parking and traffic violations are budgeted at \$5.2 million for 2009, and the General Fund is budgeted to receive \$3.28 million of that amount. Meter payments are collected by a contracted vendor on behalf of the City, and fines are collected through the state court system. The courts retain 1/3 of the revenue to cover costs, and the remainder is transferred to the City.

City revenues are collected by the Department of Public Works in the City Parking Fund (#230), and a portion is retained to cover costs of meter collection and maintenance. Costs of enforcement are transferred to the Police Department's Parking Enforcement Fund (#420). The remainder, with certain exceptions, is transferred to the General Fund. The flow chart at right illustrates the movement of revenues from collection to the General Fund.



Parking Meters and Violations, 1999-2009



	Budget	Actual	
1999	\$2,962,742	\$ 3,361,625	113.5%
2000	\$3,179,076	\$ 3,530,274	111.0%
2001	\$3,869,950	\$ 3,282,280	84.8%
2002	\$3,868,494	\$ 2,900,191	75.0%
2003	\$3,928,286	\$ 3,934,738	100.2%
2004	\$3,884,407	\$ 4,234,327	109.0%
2005	\$3,901,394	\$ 3,644,042	93.4%
2006	\$3,718,351	\$ 3,678,231	98.9%
2007	\$4,350,059	\$ 3,484,043	80.1%
Budget 2008	\$3,683,907	-	
Budget 2009	\$3,278,907	-	

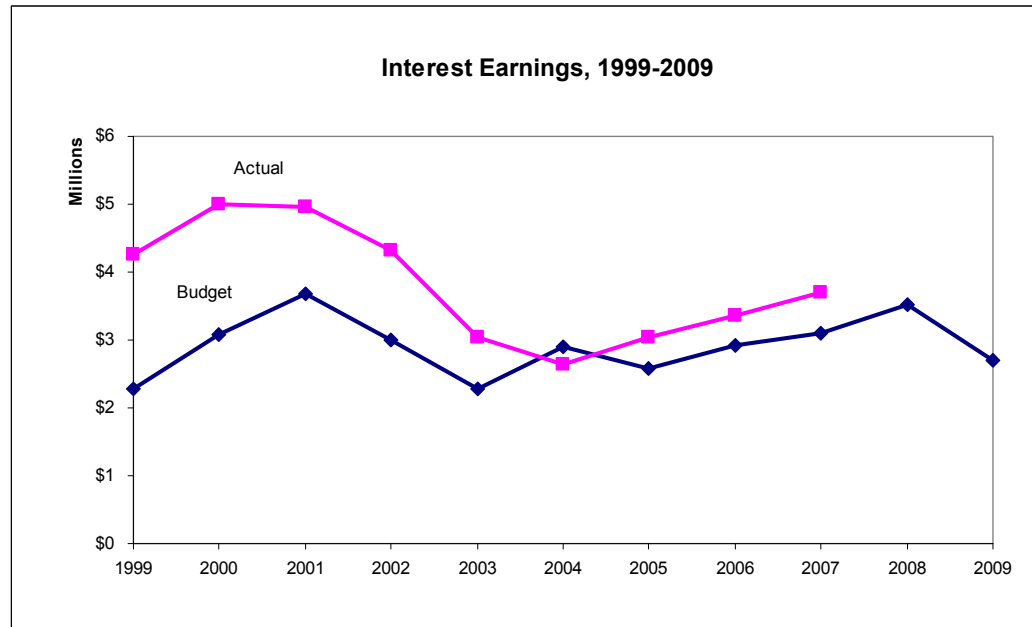
Interest Earnings

The City's investment pool earns annual returns based on two key factors: the investment balance of the pool (total amount invested), and the performance of the market. Interest earnings in certain special funds have also been awarded to the General Fund in past years.

The City's Investment Policy sets guidelines and restrictions on investments based on the duration of those investments and their relative risk. Investment objectives include **safety, liquidity, return, and loss avoidance**. The investment pool is currently invested in compliance with the City's Investment Policy and State statutes. State law restricts the types of securities municipal governments may invest in.

Interest earnings are budgeted at \$2,690,034, or 23.5% less than the 2008 budget to reflect realistic expectations in the current economic environment.

	Budget	Actual	
1999	\$2,275,000	\$4,255,477	187.1%
2000	\$3,075,000	\$5,007,569	162.8%
2001	\$3,675,000	\$4,965,250	135.1%
2002	\$2,991,274	\$4,319,715	144.4%
2003	\$2,275,000	\$3,047,557	134.0%
2004	\$2,901,500	\$2,632,212	90.7%
2005	\$2,587,865	\$3,046,535	117.7%
2006	\$2,923,500	\$3,366,431	115.2%
2007	\$3,100,000	\$3,700,995	119.4%
Budget 2008	\$3,520,500	-	
Budget 2009	\$2,690,034	-	



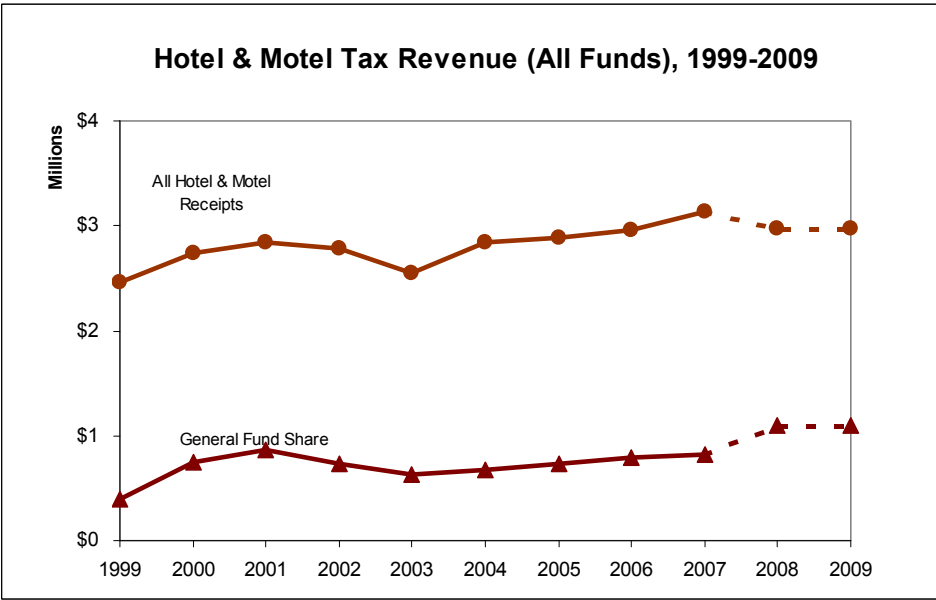
Hotel & Motel Tax

Hotel & Motel Tax

The City charges a 6% tax on all room charges in St. Paul, in addition to the state sales tax. For hotels and motels under 50 rooms, the tax is 3%. The tax rate is set by state law.

The receipts from the hotel and motel tax are divided among the City’s General and Debt Service Funds as well as the RiverCentre Convention and Visitors Bureau and other City promotional efforts. Most of the revenue from the Hotel & Motel Tax is spent on efforts to promote the City as a destination for conventions and tourism, and to pay debt on visitor destinations like the RiverCentre. Of the 6% tax, roughly 1.65% goes to the General Fund to support City operations.

Hotel and motel tax revenue is budgeted to remain flat for 2009.



	Budget	Actual	
1999	\$506,322	\$398,863	78.8%
2000	\$573,822	\$750,797	130.8%
2001	\$786,296	\$863,568	109.8%
2002	\$839,198	\$725,949	86.5%
2003	\$668,700	\$629,440	94.1%
2004	\$609,080	\$673,208	110.5%
2005	\$734,900	\$726,526	98.9%
2006	\$762,760	\$794,072	104.1%
2007	\$850,700	850,700	0.0%
Budget 2008	\$1,102,760	-	
Budget 2009	\$1,100,000	-	