

Major General Fund Revenues

Property Taxes

Property tax revenues account for 31% 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 2008</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 sets 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 2006	\$18,550,595,100
Payable in 2007	\$21,103,230,000
Payable in 2008 (est.)	\$23,071,399,600

St. Paul Taxable Tax Capacity (mkt. value x class rate)	
Payable in 2006	\$189,071,923
Payable in 2007	\$213,227,021
Payable in 2008 (est.)	\$229,527,555

Property Taxes

2008 Adopted Budget and Levy

The 2008 adopted levy is \$82.6 million. Of the adopted levy, \$80.5 million will fund city activities. \$57.4 million will go to the City's General Fund, \$8.2 million for debt service, and \$14.9 million will fund the St. Paul Public Library Agency operations and debt service. The City also levies taxes on behalf of the St. Paul Port Authority, whose 2008 levy is \$2.1 million. The City's tax rate is projected to increase slightly in 2008, which will be the first tax rate increase since 2002 (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 2008:

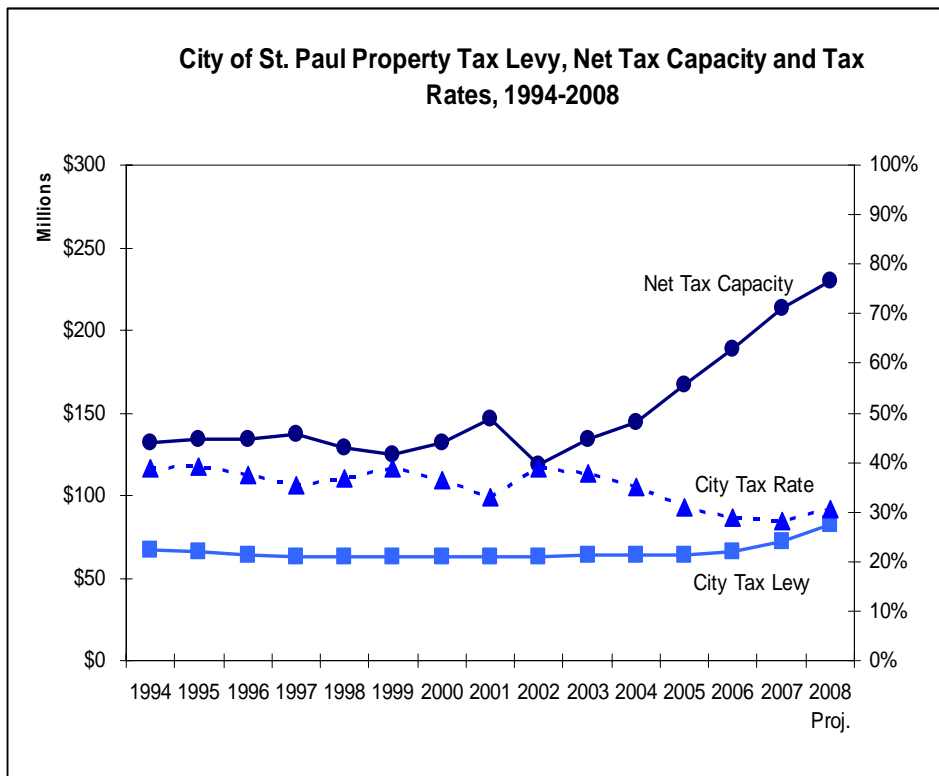
The property tax bill is a combined statement covering the City of Saint Paul, School District 625, Ramsey County, and other "special taxing districts" such as the Metropolitan Council and local watershed districts. In 2008, a home with a taxable value of \$191,900 had a total property tax bill of \$2,026.

Of the total property tax bill, the single largest share goes to the county and then to the school district. The City receives about 26% of the total tax payment – \$525 in this example.

For the typical home in this example, the property tax payment of \$525 to the City of St. Paul would break down as follows:

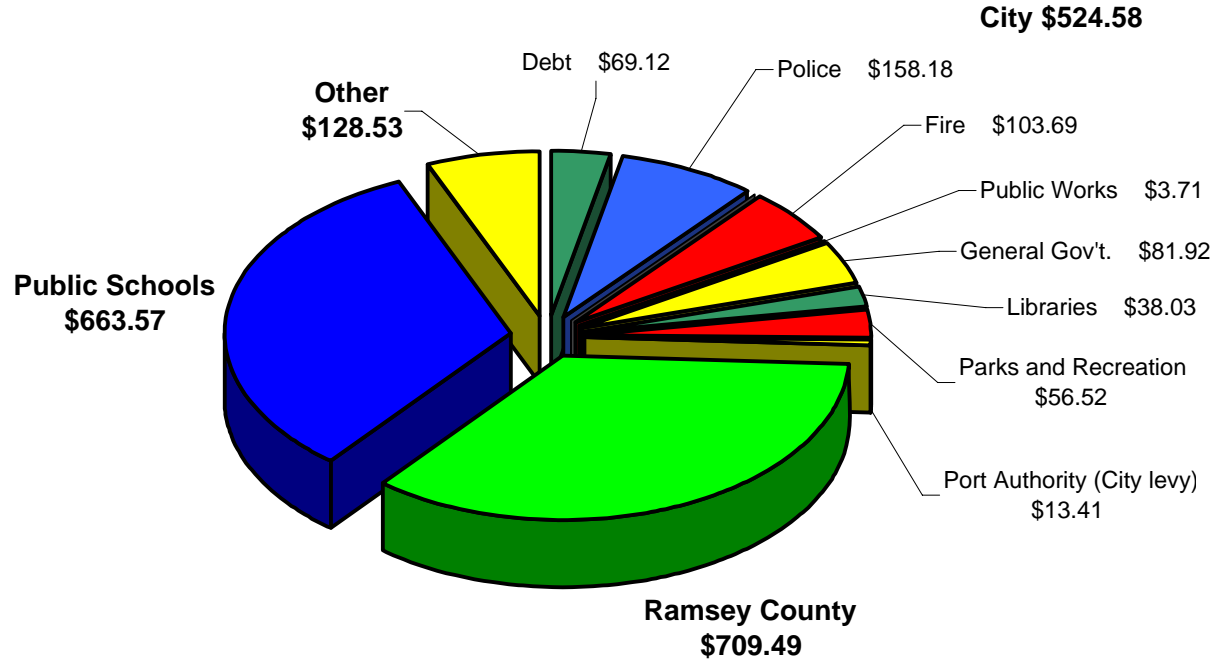
- \$158 per year for police services
- \$104 per year for fire and emergency medical services
- \$57 per year to operate and maintain the park and recreation system
- \$38 per year to operate and buy materials for the Saint Paul Public Libraries
- \$69 per year for capital debt service—the cost of building new libraries, recreation facilities, and street construction
- \$13 per year for the City's levy on behalf of the Saint Paul Port Authority as required by State statute.
- \$86 per year for all other government services including public works, licensing, technology, city attorney, etc.

Property taxes cover only a small part of the total cost of services. In total, property taxes supply only about 11% of the City's total revenue and cover just over 31% of the General Fund budget. In comparison, the City's total 2008 property tax levy for all purposes—approximately \$82.6 million—is less than the \$95 million total operating budget of the Police Department.



Estimated 2008 Saint Paul Property Taxes

2008 TNT Tax Rates Applied to a Typical Home Valued at \$191,900



City of Saint Paul	25.9%
Ramsey County	35.0%
Saint Paul Schools	32.8%
Other	6.3%
	100.0%

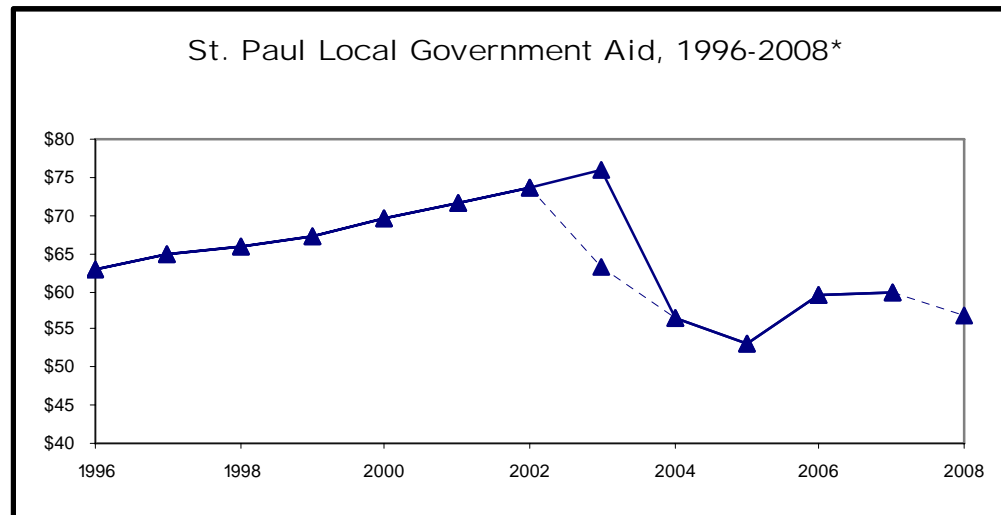
Local Government Aid (LGA)

Local Government Aid was initiated in 1971 as part of the “Minnesota Miracle”, and was 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 changes in population, housing, inflation, and other local factors. In 2003, the Governor and Legislature approved changes to the funding formula and levels that greatly reduced St. Paul’s LGA. Local Government Aid dropped from \$76 million in certified aid in 2003 to \$53 million by 2005, a 30% funding cut over two years.

Although the Legislature has restored a small portion of the City’s LGA funding, St. Paul’s 2008 certified LGA is still \$19.3 million below the certified 2003 level.

St. Paul Local Government Aid 1996-2008		
	LGA Funding	Change
1996	\$62,744,907	-
1997	\$64,717,916	3.1%
1998	\$65,835,021	1.7%
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%



* The Legislature adjusted LGA in the second year of its 2002-03 biennial budget and reduced St. Paul's previously certified LGA funding by \$13 million. The original certified amount and revised amount are both reflected here.

Franchise Fees

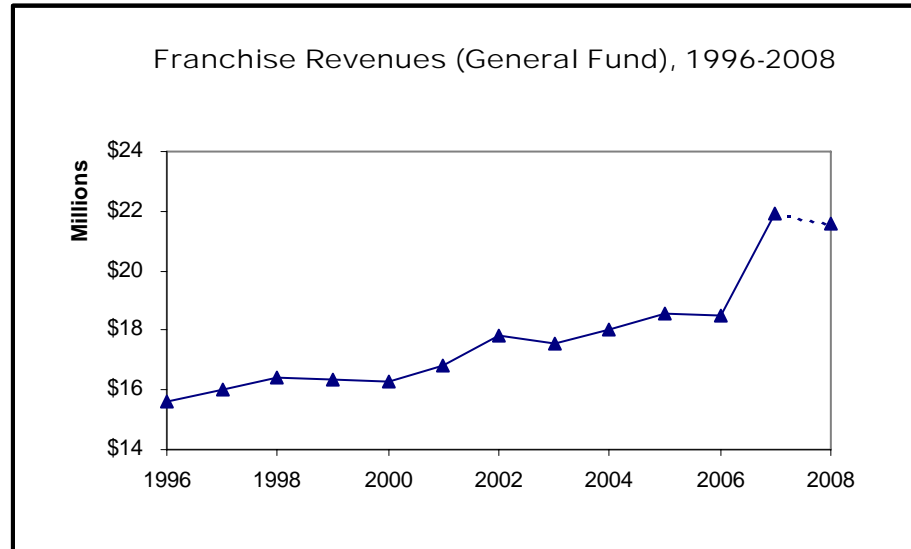
Utilities pay the City of St. Paul a fee for use of City streets and right-of-ways in delivering services to the citizens and businesses of St. Paul. This fee represents usage charges for City-owned assets that utilities may use or disrupt in the process of constructing, installing, and maintaining their 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. Most of this revenue goes to the General Fund, but some franchise revenue supports debt service or specific City programs.

St. Paul Franchise Agreements for 2008:

- ❖ 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	
1996	\$15,582,313	\$16,377,281	105.1%
1997	\$16,027,700	\$15,582,715	97.2%
1998	\$16,407,700	\$15,115,816	92.1%
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**	\$21,318,043	\$21,922,859	102.8%
Budget 2008	\$21,595,500	-	



* District Energy's franchise fees have financed both the General Fund and Debt Service Fund over recent years. In 2007, District Energy's franchise fees will go to the General Fund. Property tax financing will be substituted in the Debt Service fund.

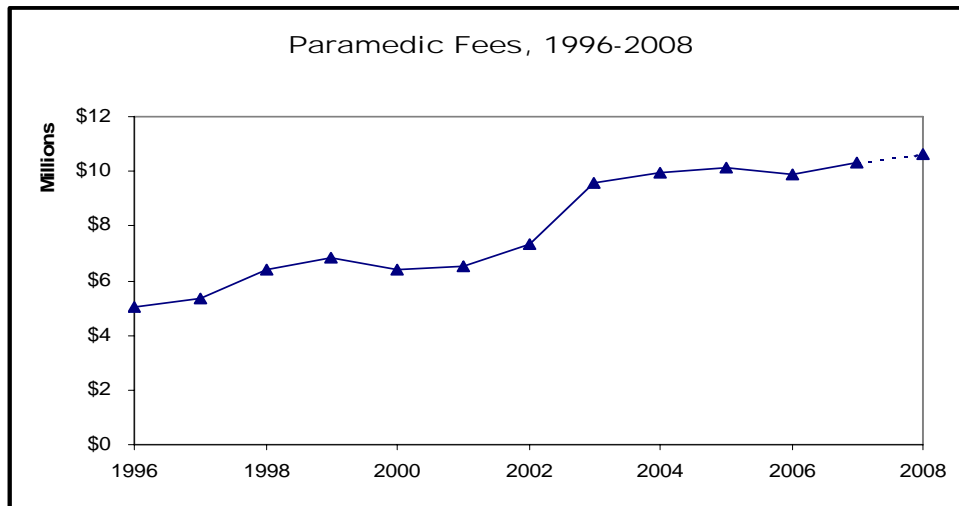
** 2007 earnings are tentative and may be revised to reflect year-end changes.

Paramedic Fees

The St. Paul Fire Department's paramedics and emergency medical technicians respond to over 25,000 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.

St. Paul is one of the few paramedic services which do not charge additional fees for high-level Advanced Life Support (ALS-2) services, including assisted breathing and other crucial life support functions. St. Paul also has one of the Metro area's lowest treatment fees for individuals who are treated and released at the scene of an incident.

Paramedic fees support the General Fund, which also supports the majority of spending on Fire and Safety Services.



	Budget	Actual	
1996	\$5,050,000	\$5,242,043	103.8%
1997	\$5,377,854	\$5,507,135	102.4%
1998	\$6,401,260	\$6,210,572	97.0%
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	\$10,300,000	87.0%
Budget 2008	\$10,641,856	-	0.0%

*2007 paramedic fees are tentative and may be revised to reflect bad debt or other changes.

State Pension Aids

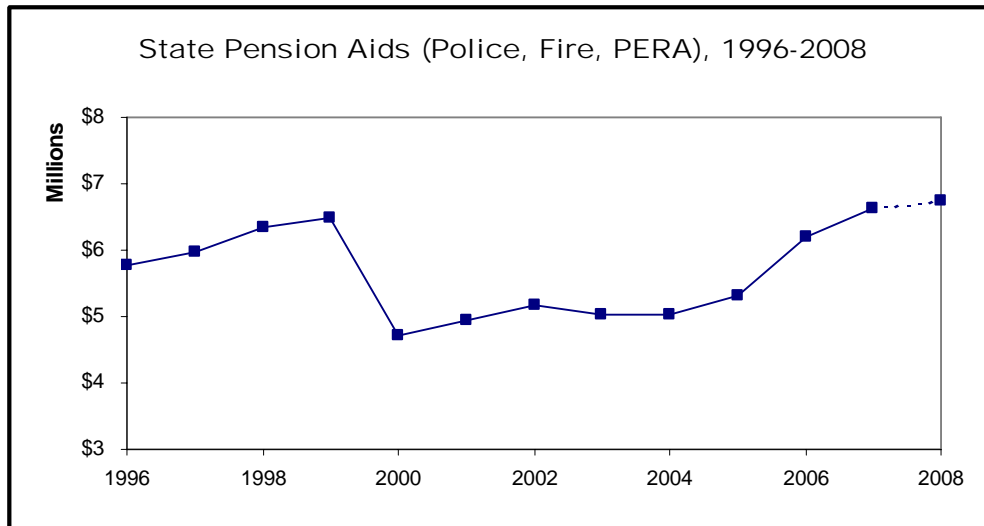
The state distributes aid to Police and Fire retirement programs in counties and municipalities based on fire and auto insurance premiums collected in the state. Taxes paid by insurers on those premiums are used to supplement police and fire pension contributions. St. Paul receives aid for Police and 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

Only fire and auto insurance premiums are used to calculate pension aid.

State aid is also given to support PERA, the pension fund that includes non-Police and Fire City employees. The vast majority (91%) of state pension aid for St. Paul goes to Police and Fire. Between 1997 and 2000, state amortization aid payments meant to cover unfunded liabilities dropped due to the Police pension fund reaching fully funded status.

In 2008, pension aids are budgeted to steadily increase to \$6.74 million, based on actual 2006 and 2007 state aids.

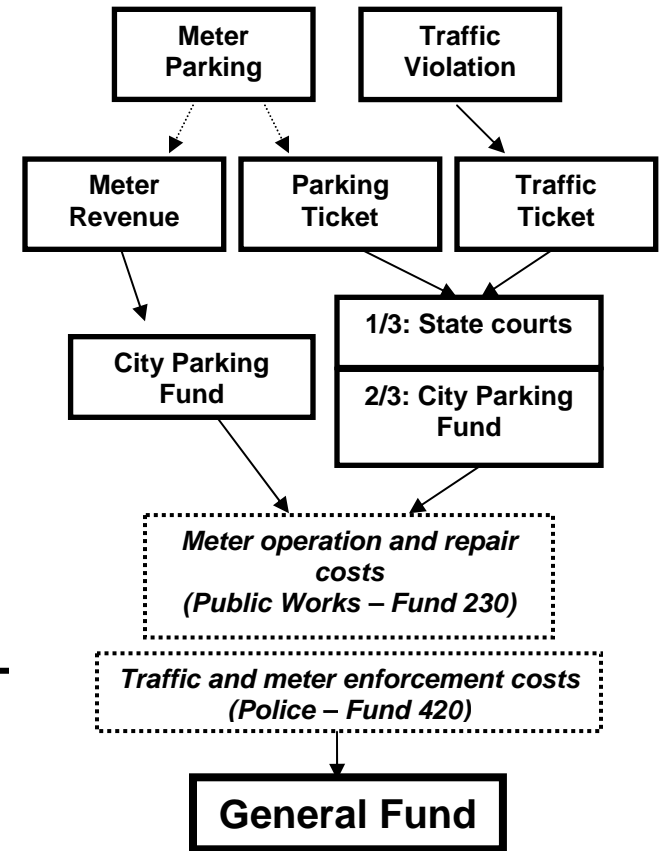


	Budget	Actual	
1996	\$5,768,993	\$6,595,119	114.3%
1997	\$5,978,993	\$6,788,089	113.5%
1998	\$6,339,518	\$6,019,610	95.0%
1999	\$6,482,512	\$6,372,157	98.3%
2000	\$4,717,512	\$5,044,659	106.9%
2001	\$4,945,633	\$4,618,796	93.4%
2002	\$5,170,633	\$5,111,382	98.9%
2003	\$5,020,472	\$5,447,696	108.5%
2004	\$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	-	0.0%

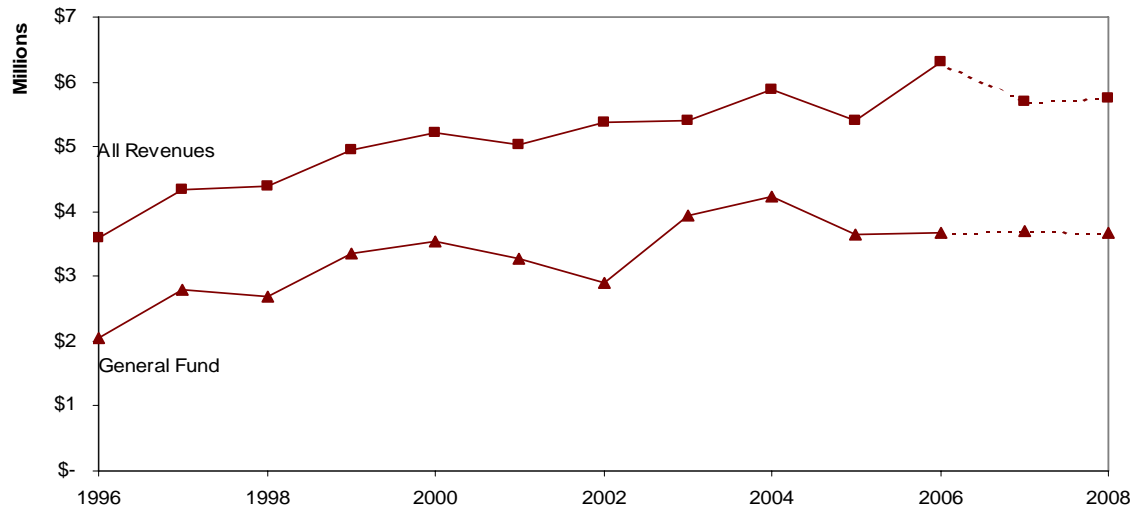
Parking Meters and Fines

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. million for 2008, and the General Fund is budgeted to receive \$3.98 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.

As of 2005, 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, 1996-2008



	Budget	Actual	
1996	\$ 2,343,173	\$ 2,048,734	87.4%
1997	\$ 2,440,444	\$ 2,791,021	114.4%
1998	\$ 2,847,074	\$ 2,694,054	94.6%
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	\$ 4,318,351	\$ 3,678,231	85.2%
2007*	\$ 4,350,059	\$ 3,697,059	85.0%
Budget 2008	\$ 3,683,907	-	

*2007 earnings are tentative and may be revised to reflect year-end changes.

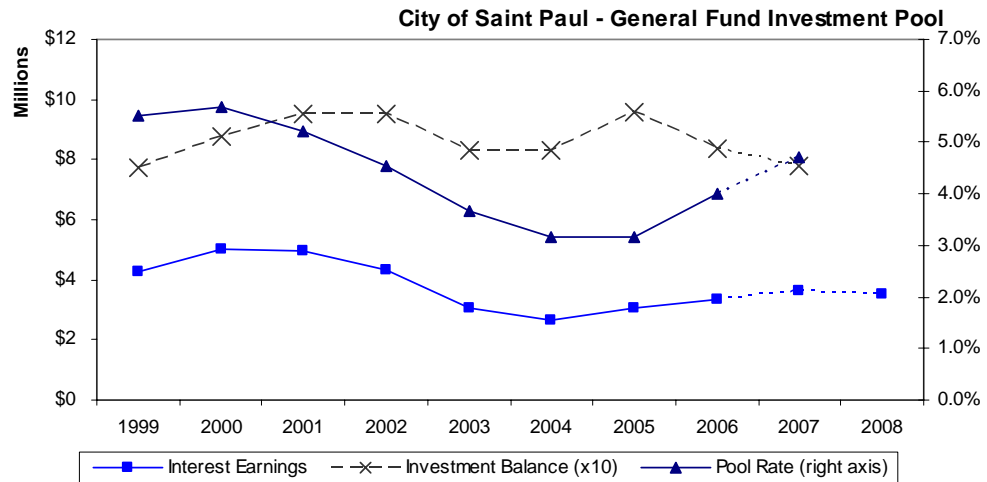
Interest Earnings

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 are **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.

As of the 3rd quarter of 2007, the City internally managed 66% of its portfolio and 34% was managed by 4 outside firms.

	Budget	Actual	
1996	\$1,420,000	\$1,778,452	125.2%
1997	\$1,750,000	\$2,667,491	152.4%
1998	\$1,925,000	\$3,910,890	203.2%
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*	\$3,240,719	\$3,660,719	113.0%
Budget 2008	\$3,520,500	-	0.0%



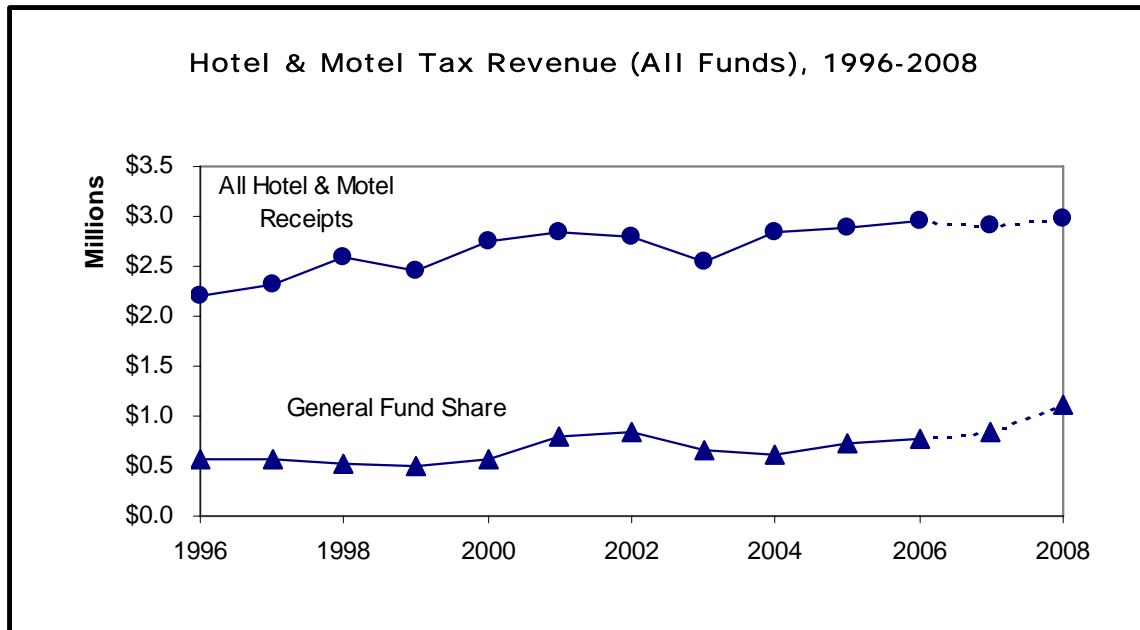
*2007 earnings are tentative and may be revised to reflect year-end changes.

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.



	Budget	Actual	
1996	\$565,250	\$582,840	103.1%
1997	\$565,000	\$549,560	97.3%
1998	\$532,650	\$728,333	136.7%
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	-	0.0%

*2007 revenue is tentative and may be revised to reflect year-end changes.

Financing by Major Object Code

Department: **00 GENERAL FUND**

GENERAL FUND

		2005 2nd Prior Exp. & Enc.	2006 Last Year Exp. & Enc.	2007 Adopted	2008 Council Adopted	Change from 2007 Adopted
1001	CURRENT - TAXPAYER	32,885,706	35,754,125	45,464,320	54,135,201	8,670,881
1002	FISCAL DISPARITIES	8,727,301	7,908,900			
1004	1ST YEAR DELINQUENT	219,760	627,695	275,000	275,000	
1005	2ND YEAR DELINQUENT	-52,128	-21,082			
1006	3RD YEAR DELINQUENT	7,922	-9,607			
1007	4TH YEAR AND PRIOR DELINQUENT	29,035	12,128			
1008	5TH YEAR DELINQUENT	7,268	6,527			
1009	6TH YEAR PRIOR DELINQUENT	19,293	18,226			
1035	EXCESS TAX INCREMENTS	171,937	225		650,000	650,000
1039	DELINQUENT EXCESS TAX INCREMENTS	974,617	1,717,383		770,000	770,000
1199	PENALTIES AND INTEREST-PROP. TAXES	52,608	46,477			
1299	FORFEITED TAX SALE APPORTIONMENT	37,723		121,000	121,000	
1392	G.E.F.F.-DES/DISTRICT COOLING	300,230	319,089	300,230	300,500	270
1393	GEFF-PEOPLES NATURAL GAS				656,000	656,000
1394	G.E.F.F. - ENERGY PARK	125,852	142,154	125,852	130,000	4,148
1396	G.E.F.F.-NORENCO	359,510	342,847	359,510		-359,510
1397	G.E.F.F.-DES/DISTRICT HEATING	30,000	32,500	1,067,697	1,300,000	232,303
1398	G.E.F.F. EMPIRE BUILDER	14,754	18,265	14,754	15,000	246
1399	G.E.F.F.-NSP	17,729,423	17,669,411	19,450,000	19,850,000	400,000
1401	HOTEL AND MOTEL	726,526	794,072	850,700	1,102,760	252,060
1501	DRUG STORE TAX	545				
1502	MORTUARY TAX	690				
1503	CONTAMINATION TAX	4,988	4,435			
	TAXES	62,373,560	65,383,770	68,029,063	79,305,461	11,276,398
3401	LOCAL GOVERNMENT AID	48,184,955	54,577,706	54,639,729	54,261,998	-377,731
3446	MARKET VALUE HOMESTEAD CREDIT	2,718,898	2,350,818	2,551,474	2,138,272	-413,202
3704	CITY SHARE OF RENT ST. HWY. DEPT	2,647	1,350	1,000	1,000	
3705	CITY SHRE OF COUNTY COURT					
3706	CITY SHR. ST. HWY FUNDS	14,066	14,306	9,600	9,600	
3800	PAYMENT IN LIEU OF TAXES			48,757	48,757	

Financing by Major Object Code

Department: **00 GENERAL FUND**

GENERAL FUND

	2005 2nd Prior Exp. & Enc.	2006 Last Year Exp. & Enc.	2007 Adopted	2008 Council Adopted	Change from 2007 Adopted
INTERGOVERNMENTAL REVENUE	50,920,566	56,944,180	57,250,560	56,459,627	-790,933
4057 GARNISHMENT					
4206 GAIN ON SALE OF ASSETS	-89,717	-16,432			
4215 SURPLUS - PURCHASING	69,968	1,413,032			
4299 SALES N.O.C.	19,749	3,400			
FEES, SALES AND SERVICES	0	1,400,000	0	0	0
5008 CIVIC CTR. - PARKING RAMP HOURLY	114,660	114,660	114,660	114,660	
ENTERPRISE AND UTILITY REVENUES	114,660	114,660	114,660	114,660	0
6602 INTEREST ON INVESTMENTS	3,292,199	3,391,073	3,100,000	3,477,000	377,000
6605 OTHER INTEREST EARNED		15,551			
6611 INC(DEC) FMV OF INVESTMENT	-1,160,132	4,182			
6831 COMMISSIONS - TELEPHONE					
6908 DAMAGE CLAIM RECOVERY FROM OTHERS					
6914 REFUNDS - JURY DUTY PAY					
6915 REFUNDS - NOT OTHERWISE CLASSIFIED					
6917 REFUNDS - OVERPAYMENTS					
6919 REFUNDS - RETURN OF PURCHASE					
6921 REFUNDS - UNUSED TRAVEL ALLOWANCE					
6927 OTHER AGENCY SHARE OF COST	147,969	136,406	64,627	64,627	
6999 OTHER MISCELLANEOUS REVENUE N.O.C.		72,961			
MISCELLANEOUS REVENUE	2,280,036	3,620,173	3,164,627	3,541,627	377,000
7301 TRANSFER FROM SEWER REPAIR FUND					
7303 TRANSFER FROM INTERNAL SERVICE FUND			50,000		-50,000
7304 TRANSFER FROM DEBT SERVICE FUND	53,906				
7305 TRANSFER FROM SPECIAL REVENUE FUND	3,644,042	3,678,231	4,350,059	3,683,907	-666,152
7306 TRANSFER FROM CAP PROJ FUND-OTHER	318,642	154,416	92,000	92,000	
7399 TRANSFER FROM SPECIAL FUND	4,644,552	4,715,092	4,927,043	5,352,442	425,399
TRANSFERS	8,661,142	8,547,739	9,419,102	9,128,349	-290,753

Financing by Major Object Code

Department: **00 GENERAL FUND**

GENERAL FUND

	2005 2nd Prior Exp. & Enc.	2006 Last Year Exp. & Enc.	2007 Adopted	2008 Council Adopted	Change from 2007 Adopted
9830 USE OF FUND BALANCE	0	0	0	0	0
9831 CONTRIBUTION TO FUND BALANCE	0	0	0	0	0
FUND BALANCES	0	0	0	0	0
Fund Total	124,349,964	136,010,522	137,978,012	148,549,724	10,571,712

<u>Department Total</u>	<u>124,349,964</u>	<u>136,010,522</u>	<u>137,978,012</u>	<u>148,549,724</u>	<u>10,571,712</u>
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City of Saint Paul Financing Plan by Department and Activity

Fund: **001 GENERAL FUND**

Fund Manager: MATTHEW G SMITH

Assumptions for Major Revenue Sources and Explanation for Significant Financing Changes:

THE GENERAL FUND RECEIVES THE VAST MAJORITY OF ITS REVENUE FROM PROPERTY TAXES, STATE AIDS AND FRANCHISE FEES.

Department	Activity	2005 2nd Prior Exp. & Enc.	2006 Last Year Exp. & Enc.	2007 Adopted	2008 Council Adopted	Change from 2007
00	GENERAL FUND					
00000	GENERAL FUND (00000)	124,349,964	136,010,522	137,978,012	148,549,724	10,571,712
	Department Total	124,349,964	136,010,522	137,978,012	148,549,724	10,571,712
	<u>Financing by Major Object</u>					
	TAXES	62,373,560	65,383,770	68,029,063	79,305,461	11,276,398
	LICENSES AND PERMITS					
	INTERGOVERNMENTAL REVENUE	50,920,566	56,944,180	57,250,560	56,459,627	-790,933
	FEES, SALES AND SERVICES		1,400,000			
	ENTERPRISE AND UTILITY REVENUES	114,660	114,660	114,660	114,660	
	MISCELLANEOUS REVENUE	2,280,036	3,620,173	3,164,627	3,541,627	377,000
	TRANSFERS	8,661,142	8,547,739	9,419,102	9,128,349	-290,753
	FUND BALANCES					
	Total Financing by Object	124,349,964	136,010,522	137,978,012	148,549,724	10,571,712