

Property Taxes

Property Taxes

Property tax revenues account for 33% 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 2010</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 change, the size of the tax base also changes proportionately. 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. A higher class rate will result in a relatively higher share of tax capacity. Based on the class rate structure, one dollar of commercial/industrial property has a greater relative tax capacity than one dollar of residential property.

St. Paul Taxable Market Value	
Payable in 2008	\$23,100,364,900
Payable in 2009	\$22,776,055,600
Payable in 2010 (proj.)	\$21,551,886,800

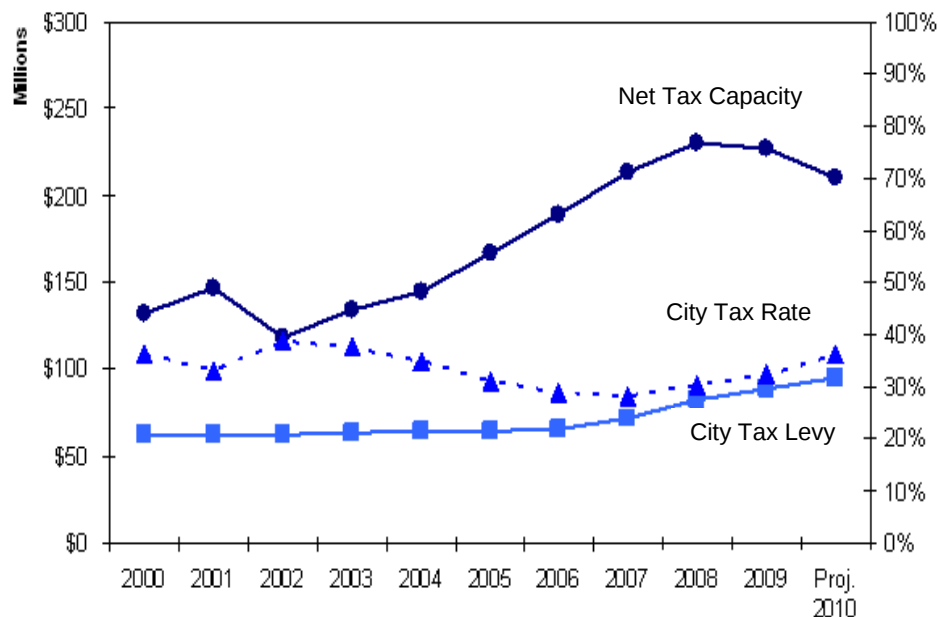
St. Paul Net Tax Capacity (mkt. value x class rate)	
Payable in 2008	\$281,029,173
Payable in 2009	\$279,536,007
Payable in 2010 (proj.)	\$266,460,757

Property Taxes

2010 Adopted Budget and Levy

The 2010 adopted City levy is \$94.6 million. Of the adopted levy, \$92.5 million will fund city activities. \$65.8 million will go to the City's general fund, \$9.8 million for debt service, and \$16.9 million will fund the St. Paul Public Library Agency. The City also levies taxes on behalf of the St. Paul Port Authority, whose 2010 levy is \$2.1 million. The City's tax rate is projected to increase in 2010. (see graph below).

City of St. Paul Property Tax Levy, Tax Rates and Net Tax Capacity, 2000-2010



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 2010:

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 2010, a home with a taxable value of \$168,100 had a total property tax bill of \$2,025.

Of the total property tax bill, the single largest share goes to the county and then to the school district. The City receives about 27% of the total tax payment – \$543 in this example.

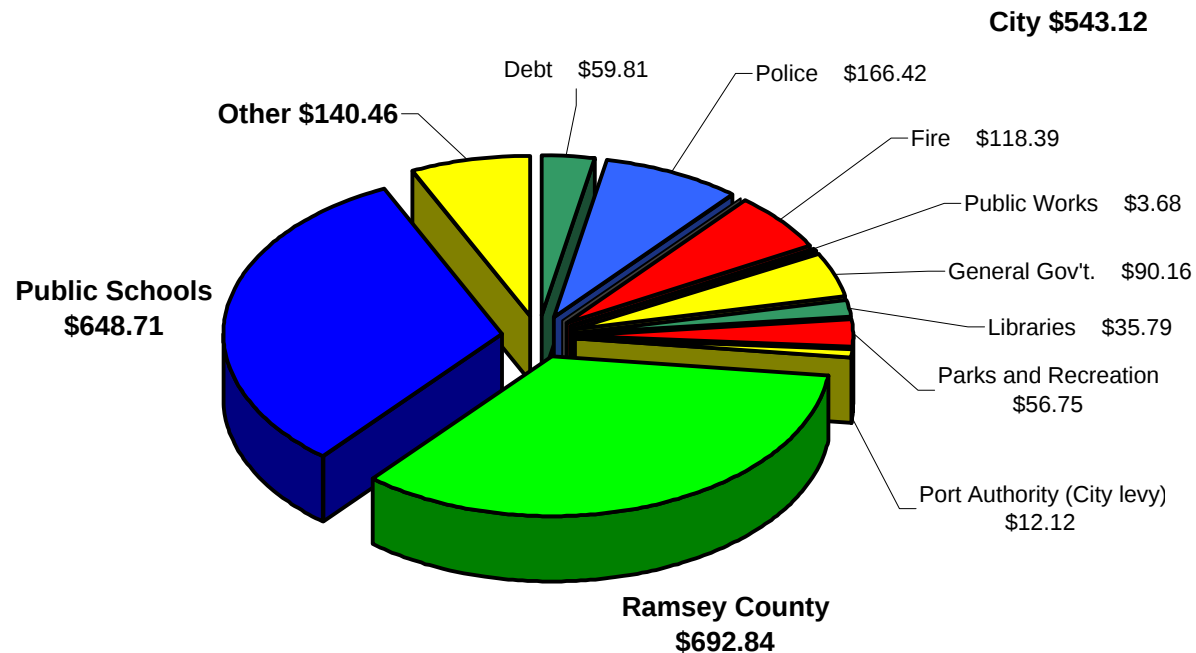
For this particular home, the property tax payment of \$543 to the City of St. Paul would break down to the following amounts:

- \$166 per year for police services
- \$118 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
- \$60 per year for capital debt service—the cost of building new libraries, recreation centers and playgrounds, and street construction

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 about 33% of the general fund budget. In comparison, the City's total adopted 2010 property tax levy for all purposes—approximately \$94.6 million—is less than the \$100.5 million adopted total operating budget of the Police Department.

Estimated 2010 Saint Paul Property Taxes

2010 Proposed Tax Rates Applied to a Typical Home Valued at \$168,100



City of Saint Paul	26.7%
Ramsey County	34.3%
Saint Paul Schools	32.1%
Other	6.9%
	100.0%

Major General Fund Revenues

Local Government Aid (LGA)

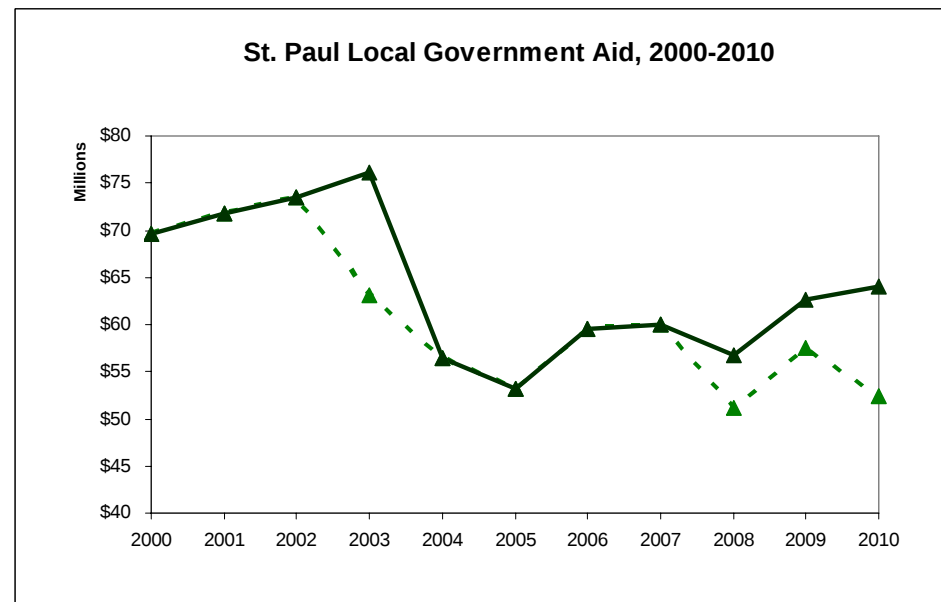
Local Government Aid was initiated in 1971 as part of the “Minnesota Miracle” and was intended to provide property tax relief to Minnesota cities. The state provides Local Government Aid to cities throughout Minnesota based on a “need/capacity” formula that compares each city’s tax base to an estimated 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 inflationary growth. In 2003, the Governor and Legislature approved changes to the funding formula and levels that greatly reduced St. Paul’s LGA. Additionally, the Legislature enacted a mid-year LGA adjustment in 2003 to address the state budget shortfall that year. This adjustment reduced St. Paul’s previously certified LGA funding by \$13 million.

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. However, LGA was unallotted by the state at the end of 2008 as part of measures taken to fix the state’s budget deficit. Further unallotments were made to LGA in 2009 and 2010 to resolve the state’s budget shortfall. This chart reflects both St. Paul’s certified and actual LGA payments from 2000-2010.

St. Paul Local Government Aid 2000-2010		
	LGA Funding	Change
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	-10.0%
2009	\$62,600,018	22.5%
2009*	\$57,569,445	-8.0%
2010	\$64,079,116	11.3%
2010*	\$52,471,674	-18.1%

*Adjusted LGA revenues



Franchise Fees

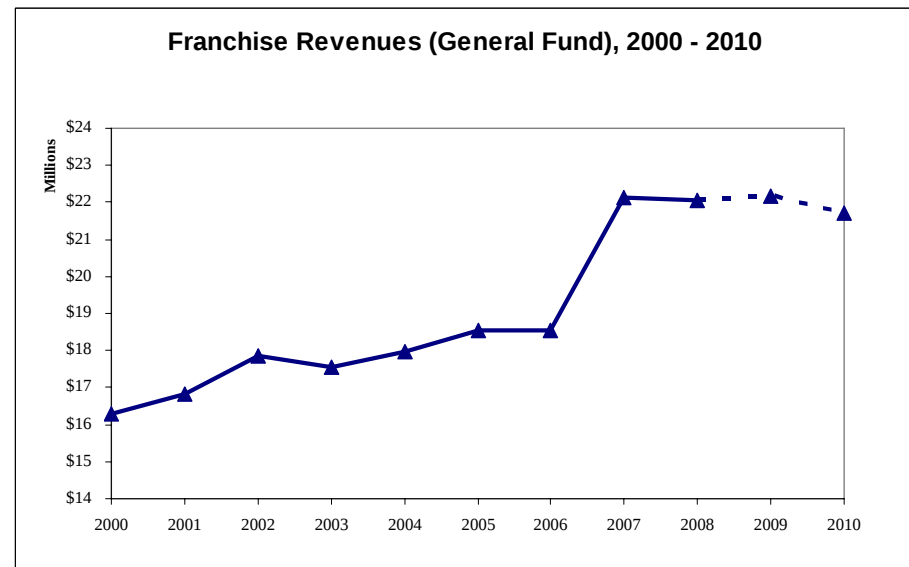
Utilities pay the City of St. Paul a fee for use of City streets and right-of-ways in delivering services to the citizens and businesses of St. Paul. This fee represents usage charges for City-owned assets that utilities may use or disrupt in the process of constructing, installing, and maintaining their 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 2010:

- ❖ **Xcel Energy** supplies natural gas and electrical service to St. Paul homes and businesses.
- ❖ **Norenc**, 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	
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	\$22,127,646	103.5%
2008	\$22,251,500	\$22,056,079	99.1%
Adopted 2009	\$22,158,299	N/A	
Adopted 2010	\$21,728,237	N/A	

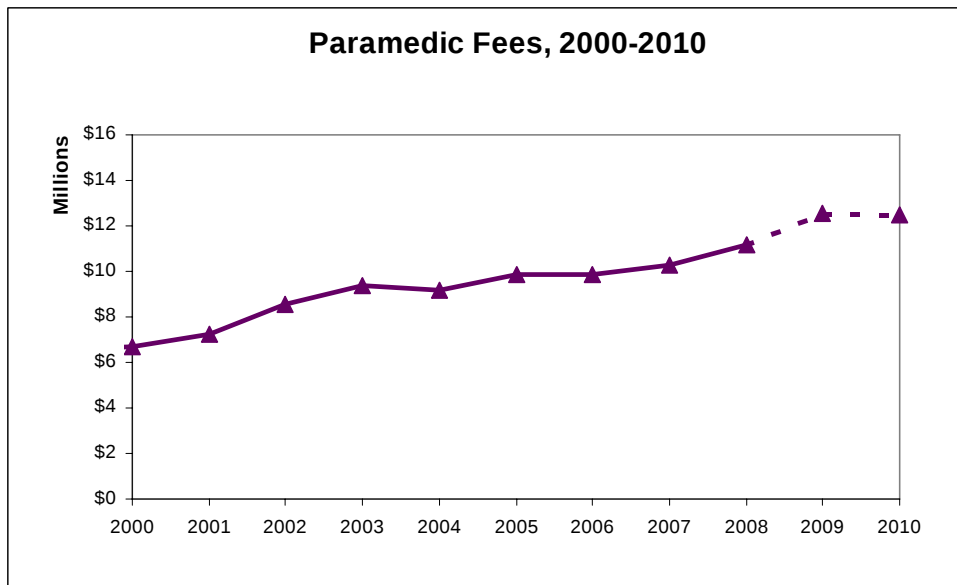


Paramedic Fees

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.

St. Paul is one of the few paramedic services not charging 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	
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%
Actual 2008	\$10,641,856	\$11,199,523	105.2%
Adopted 2009	\$12,530,936	N/A	
Adopted 2010	\$12,498,551	N/A	

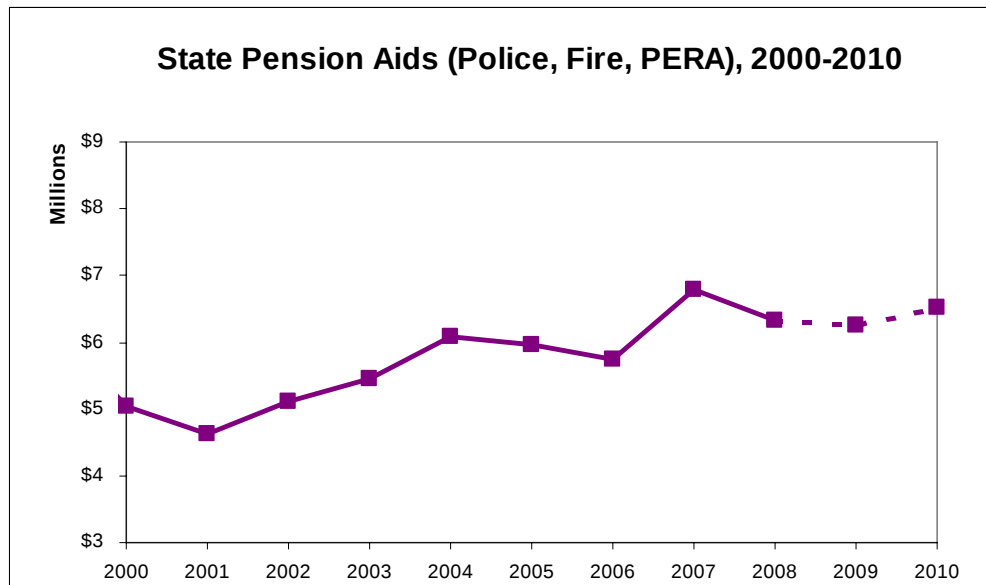
State Pension Aids

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-public safety City employees. The vast majority (91%) of state pension aid goes to support Police and Fire pensions. In 2010, pension aids are budgeted to increase slightly to \$6.5 million.

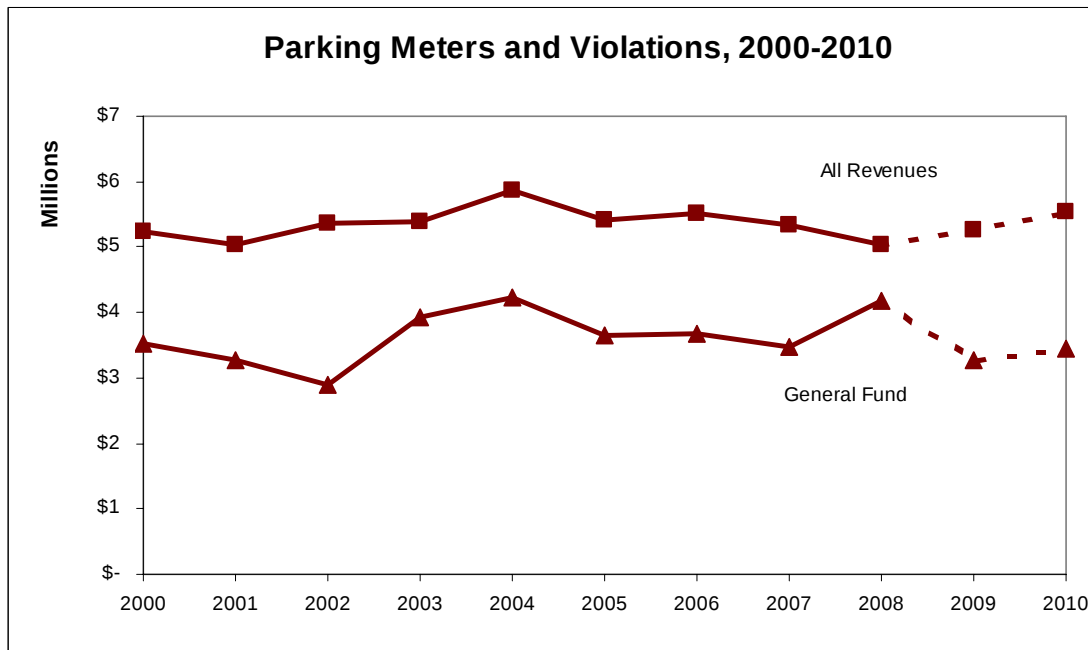
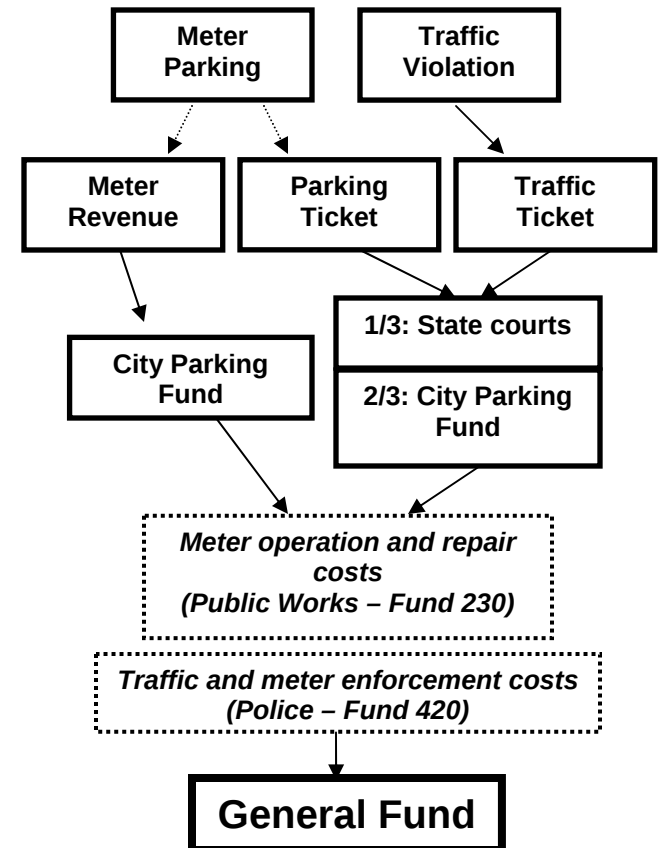


	Budget	Actual	
2000	\$4,717,512	\$5,044,659	106.9%
2001	\$4,945,633	\$4,618,796	93.4%
2002	\$5,170,633	\$5,111,382	98.9%
2003	\$5,020,472	\$5,447,696	108.5%
2004	\$5,017,512	\$6,086,374	121.3%
2005	\$5,303,198	\$5,957,264	112.3%
2006	\$6,186,094	\$5,753,112	93.0%
2007	\$5,957,264	\$6,780,409	113.8%
2008	\$6,736,230	\$6,335,966	94.1%
Adopted 2009	\$6,250,691	N/A	
Adopted 2010	\$6,512,576	N/A	

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 \$5.5 million for 2010, and the General Fund is budgeted to receive nearly \$3.5 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.



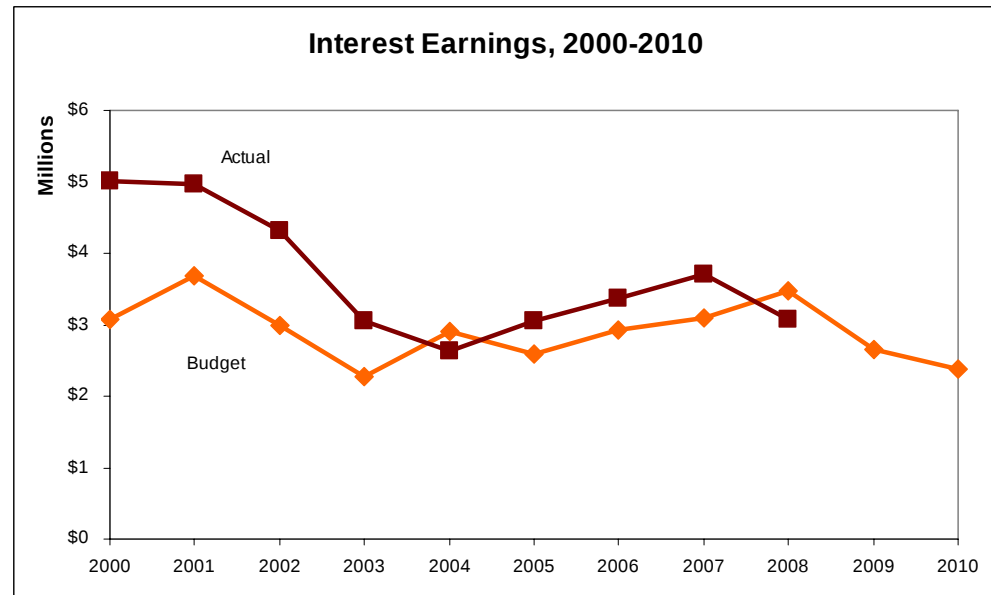
	Budget		Actual
2000	\$ 3,179,076	\$ 3,530,274	111.0%
2001	\$ 3,869,950	\$ 3,282,280	84.8%
2002	\$ 3,868,494	\$ 2,900,191	75.0%
2003	\$ 3,928,286	\$ 3,934,738	100.2%
2004	\$ 3,884,407	\$ 4,234,327	109.0%
2005	\$ 3,901,394	\$ 3,644,042	93.4%
2006	\$ 4,318,351	\$ 3,678,231	85.2%
2007	\$ 4,350,059	\$ 3,484,043	80.1%
Budget 2008	\$ 3,683,907	\$ 4,170,320	113.2%
Budget 2009	\$ 3,278,907	N/A	
Adopted 2010	\$ 3,449,822	N/A	

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 in which municipal governments may invest.

	Budget	Actual	
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%
2008	\$3,477,000	\$3,083,717	88.7%
Adopted 2009	\$2,646,534	N/A	
Adopted 2010	\$2,371,534	N/A	

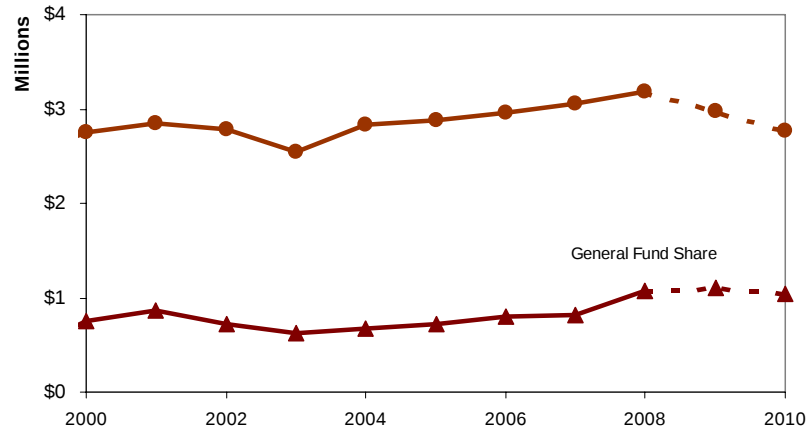


Hotel & Motel Tax

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 & Motel Tax Revenue (All Funds), 2000-2010



	Budget	Actual	
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	\$815,041	95.8%
2008	\$1,102,760	\$1,065,380	96.6%
Adopted 2009	\$1,100,000	N/A	
Adopted 2010	\$1,043,400	N/A	