

Major City General Fund Revenues

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.

St. Paul Taxable Market Value	
Payable in 2011	\$20,065,253,800
Payable in 2012*	\$18,163,450,800
Payable in 2013	\$17,086,162,700

St. Paul Net Tax Capacity	
Payable in 2011	\$247,313,481
Payable in 2012*	\$226,059,848
Payable in 2013	\$213,959,145

*Note: Approximately 6% of the decline in taxable market value and net tax capacity between 2011 and 2012 was due to the Market Value Exclusion program adopted by the 2011 state legislature. More traditional factors related to economic conditions contributed to the remaining decrease.

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 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. 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 value has a greater relative tax capacity than one dollar of residential property value.

Minnesota Property Tax Class Rates <i>Payable in 2013</i>	
Property Type	Class Rate
Residential Homestead	
Up to \$500,000	1.00%
Over \$500,000	1.25%
Apartments (4 or more units)	1.25%
Commercial/Industrial	
Up to \$150,000	1.50%
Over \$150,000	2.00%

Property Taxes

2013 adopted Budget and Levy

The 2013 adopted City levy is \$101,207,852 which is a 1.9% increase from 2012. Of the adopted levy, \$99.4 million will fund city activities. \$72.1 million will go to the City's general fund, \$10 million for debt service, and \$17.3 million will fund the St. Paul Public Library Agency. The City also levies taxes on behalf of the St. Paul Port Authority, whose adopted 2013 levy is \$1.8 million.

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 2013:

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. For preliminary 2013 estimates, a home with a taxable value of \$133,700 is estimated to have a property tax bill of \$1,797.24 before factoring in the school referendum levy approved by voters this fall..

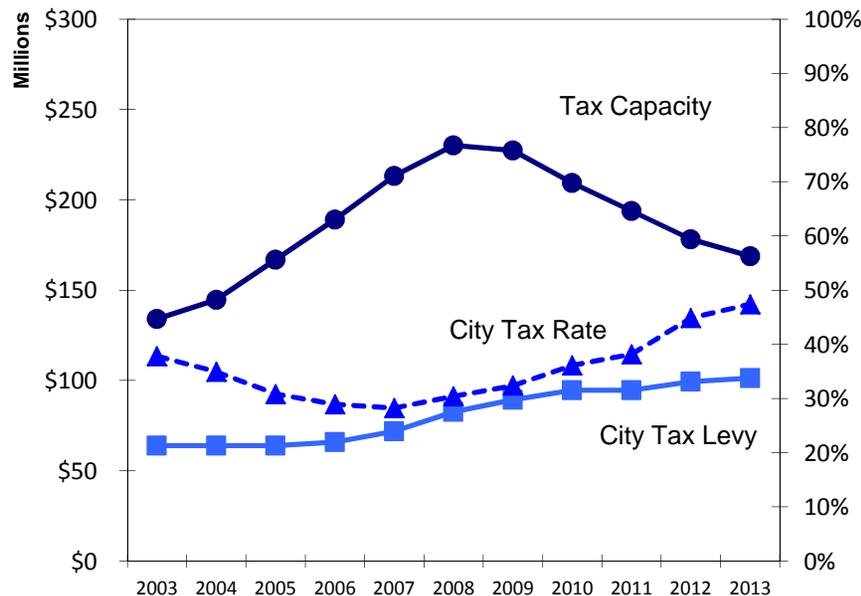
Approximately 29% of the total property tax payment (excluding the school referendum levy) for taxes payable in 2013 pays for City services – \$514 in this example.

For this particular home, the property tax payment of \$514 to the City would include the following amounts for key city services:

- \$150 per year for police services
- \$103 per year for fire and emergency medical services
- \$49 per year to operate and maintain the parks and recreation system
- \$29 per year to operate and buy materials for the Saint Paul Public Libraries
- \$58 per year for capital debt service—the cost of building new park and library facilities, playgrounds, and street construction

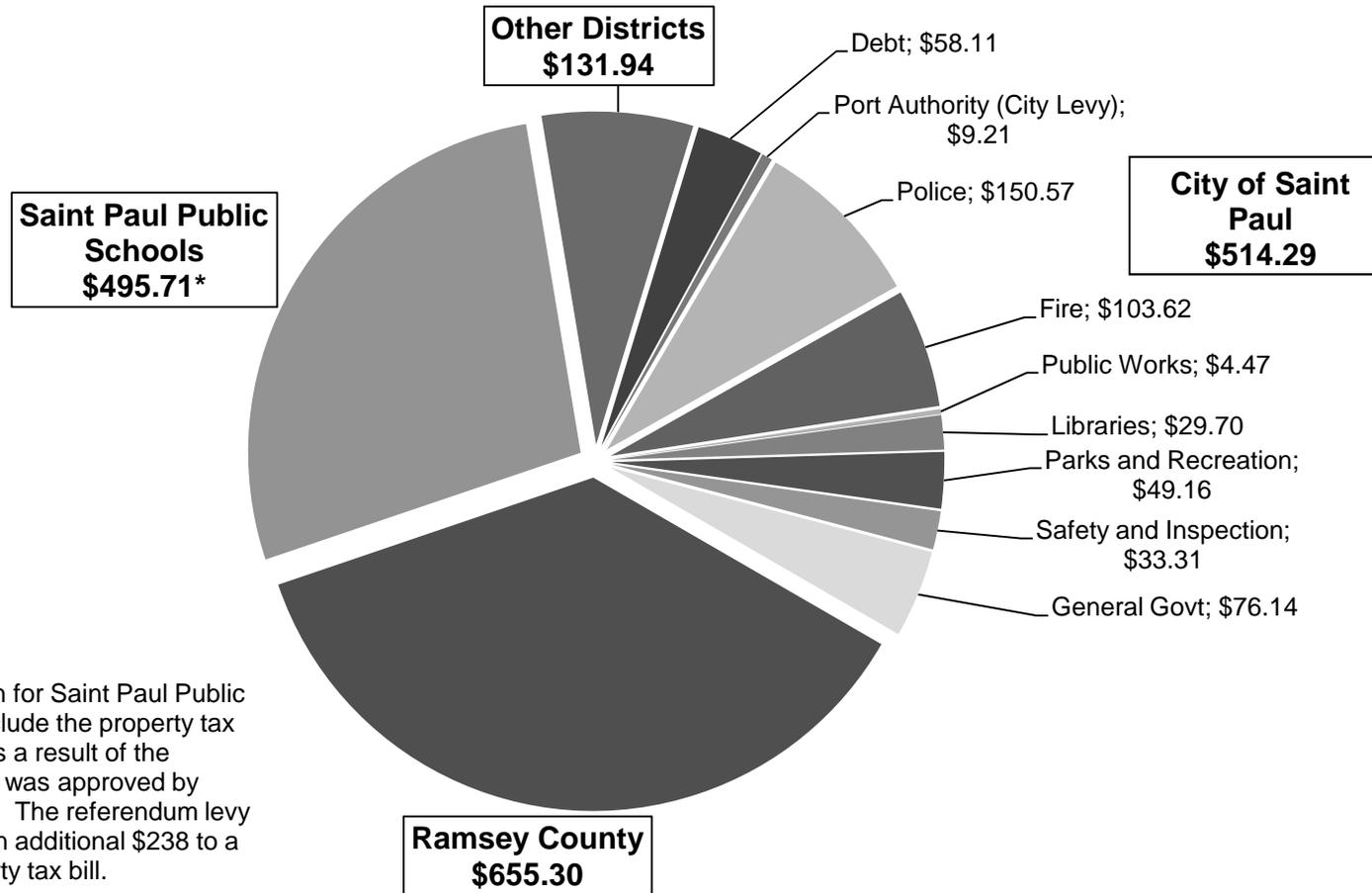
Property taxes cover only a small part of the total cost of services. In total, property taxes supply only about 17% of the City's total revenue and cover about 33% of the general fund budget. In comparison, the City's total adopted 2013 property tax levy for all city purposes—approximately \$99.4 million—is only slightly higher than the \$98.7 million operating budget of the Police Department.

City of St. Paul Property Tax Levy, Tax Rates and Tax Capacity, 2003-2013



Estimated 2013 Saint Paul Property Taxes

2013 TNT Tax Rates Applied to a Typical Home Valued at \$133,700



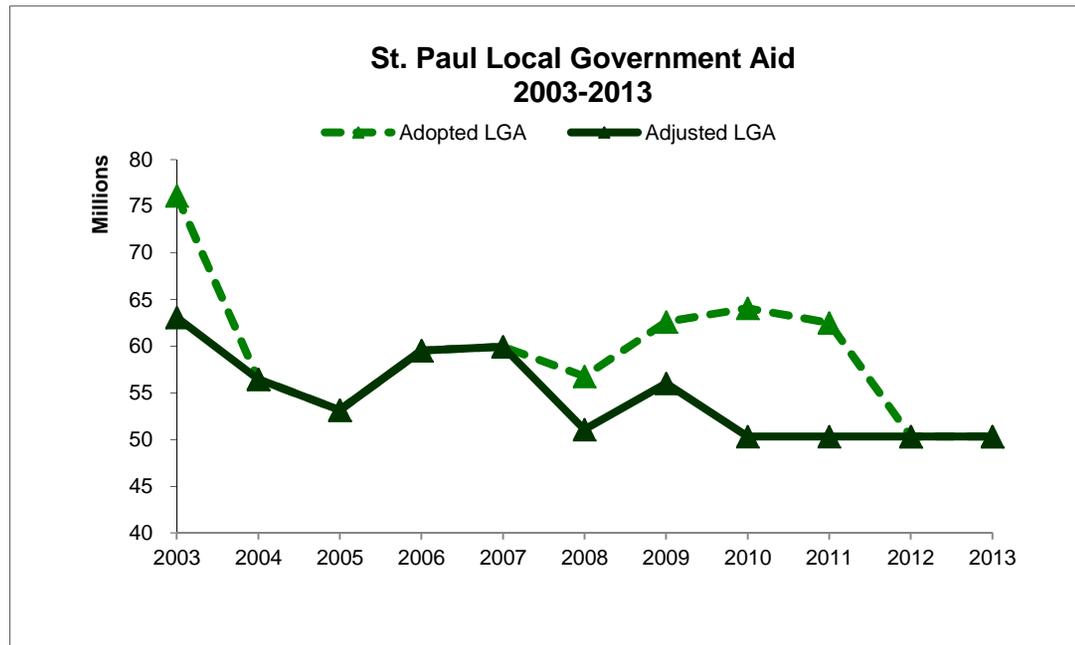
* The amount shown for Saint Paul Public Schools does not include the property tax increase expected as a result of the referendum levy that was approved by voters in November. The referendum levy is expected to add an additional \$238 to a median home property tax bill.

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 annually based on inflationary growth. In 2003, the Governor and Legislature approved changes to the funding formula and levels that greatly limited St. Paul’s LGA. LGA has continued to remain a volatile revenue source since 2003 and has been reduced midyear in 2008, 2009, 2010 and 2011. During the special session in 2011, the legislature not only reduced LGA midyear, but also lowered the 2012 LGA allotment to a similar amount. Actual LGA funding received by the City is expected to remain flat for the third consecutive year in 2013.

St. Paul Local Government Aid 2003-2013		
	LGA Funding	Change
2003	76,129,865	
2004	56,488,168	-25.8%
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*	56,013,366	-10.5%
2010	64,079,116	14.4%
2010**	50,345,488	-21.4%
2011	62,505,032	24.2%
2011*	50,320,488	-19.5%
2012	50,320,488	0.0%
2013	50,320,488	0.0%



*Adjusted LGA revenues

** In 2010 and 2011, the City's state aid was also reduced by a cut in Market Value Homestead Credit.

Franchise Fees

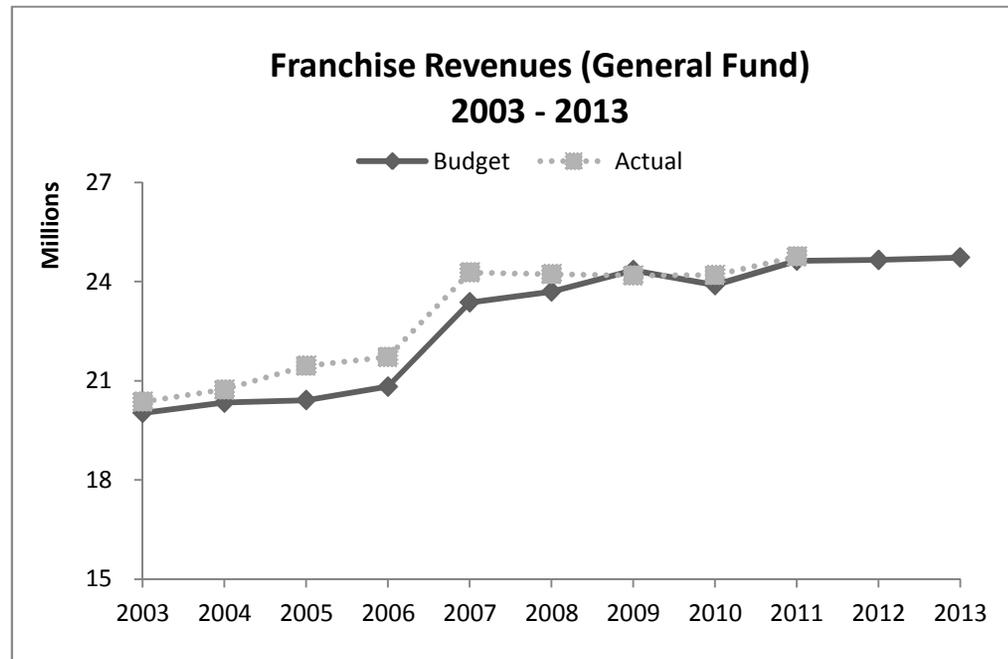
Utilities pay the City of St. Paul a fee for use of City streets and right-of-ways in delivering services to the citizens and businesses of St. Paul. This fee represents usage charges for City-owned assets that utilities may use or disrupt in the process of constructing, installing, and maintaining their 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 2013:

- **Xcel Energy** supplies natural gas and electrical service to St. Paul homes and businesses.
- **Comcast** provides cable television to St. Paul homes and businesses.
- **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.
- **Empire Builder** is the heating and cooling utility serving the Empire Builder development north of downtown St. Paul.

	Budget	Actual
2003	20,024,184	20,363,250
2004	20,340,603	20,734,091
2005	20,410,511	21,453,093
2006	20,819,867	21,719,071
2007	23,368,043	24,274,128
2008	23,695,500	24,224,292
2009	24,342,799	24,184,937
2010	23,893,730	24,195,778
2011	24,629,518	24,758,457
Adopted 2012	24,654,518	N/A
Adopted 2013	24,729,518	N/A

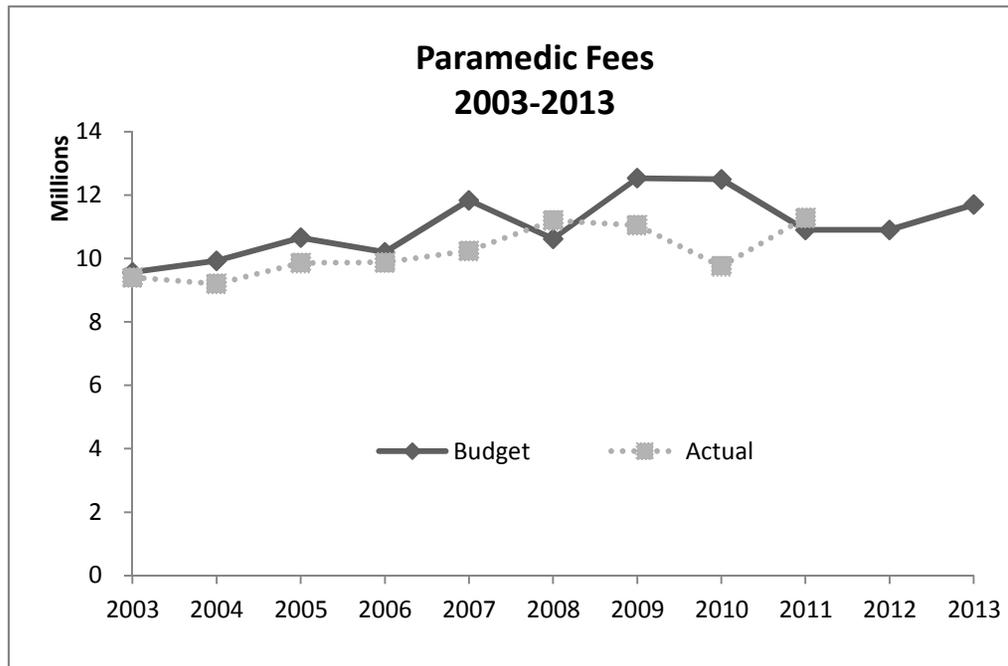


Paramedic Fees

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
2003	9,563,455	9,402,844
2004	9,926,767	9,200,000
2005	10,655,407	9,856,956
2006	10,200,000	9,876,413
2007	11,835,896	10,236,954
2008	10,621,856	11,199,523
2009	12,530,936	11,045,682
2010	12,498,551	9,750,006
2011	10,900,000	11,284,205
Adopted 2012	10,900,000	N/A
Adopted 2013	11,700,000	N/A

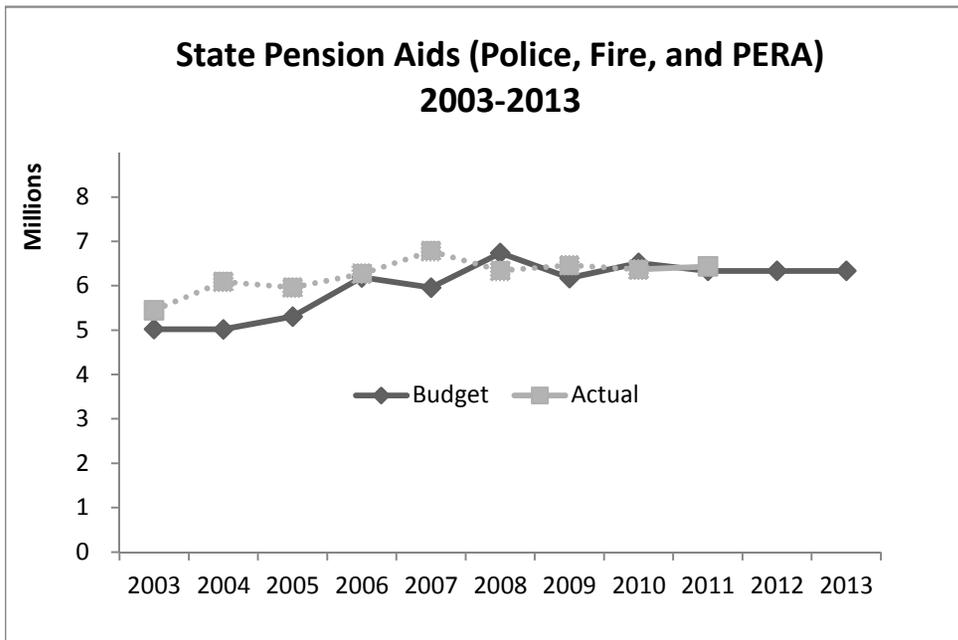
State Pension Aids

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.

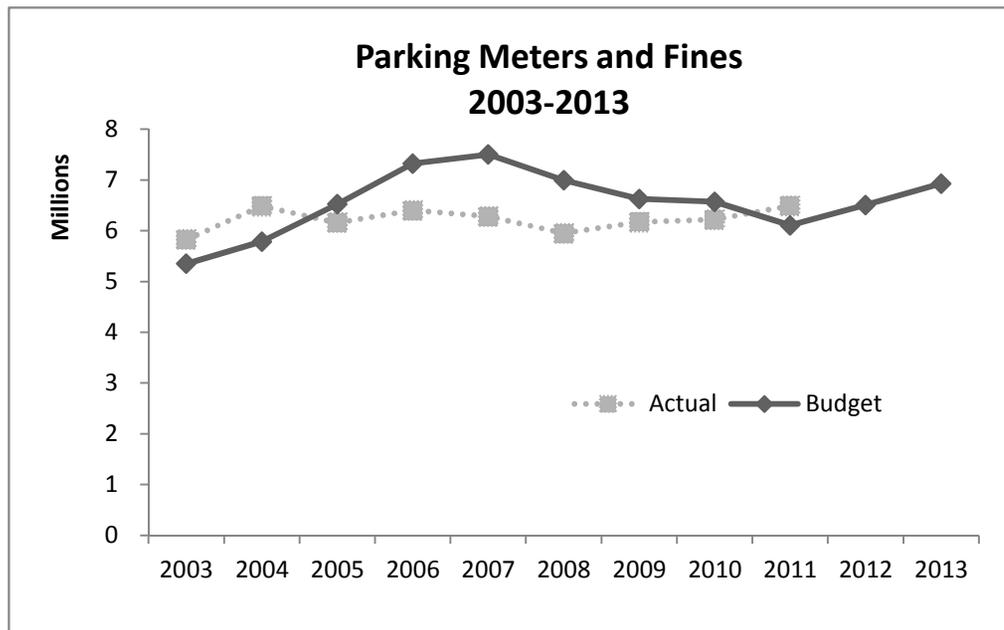
State aid is also given to support PERA, the pension fund that includes non-public safety City employees. The vast majority (91%) of state pension aid goes to support Police and Fire pensions. In 2013, pension aids are budgeted to remain stable at about \$6.3 million.



	Budget	Actual
2003	5,020,472	5,447,696
2004	5,017,512	6,086,374
2005	5,303,198	5,957,264
2006	6,186,094	6,270,624
2007	5,957,264	6,780,409
2008	6,736,230	6,335,966
2009	6,172,731	6,459,128
2010	6,512,576	6,364,824
2011	6,333,132	6,433,722
Adopted 2012	6,333,132	N/A
Adopted 2013	6,333,132	N/A

Parking Meters and Fines

Parking meters and fines includes revenues from parking meter collections, fines from parking and traffic enforcement, as well as fees collected through the City's continuance for dismissal program. The City operates over 1,000 metered parking spaces 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. 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.



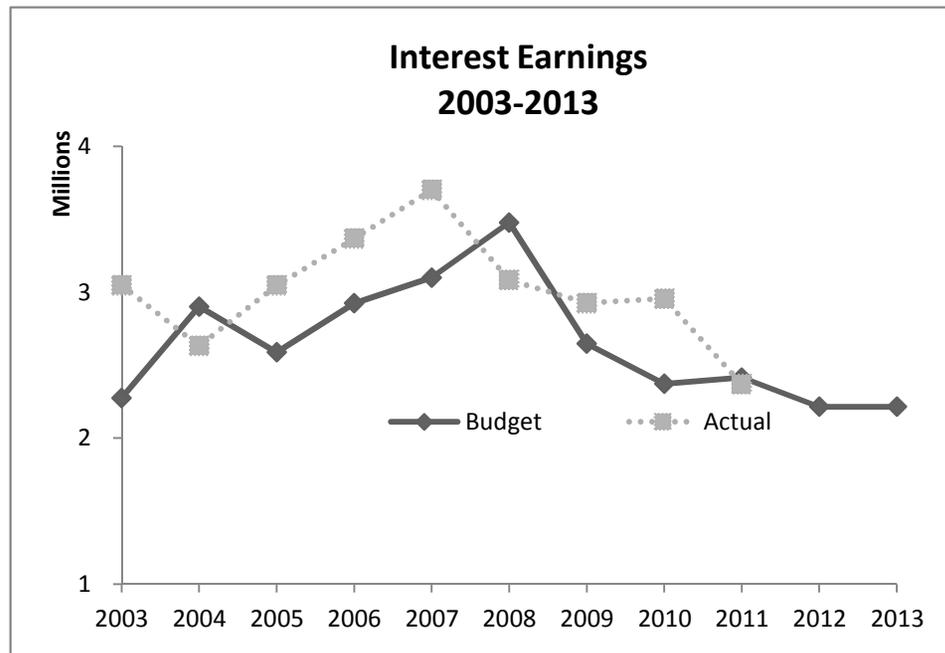
	Budget	Actual
2003	5,350,247	5,827,254
2004	5,785,858	6,480,546
2005	6,521,985	6,159,045
2006	7,320,747	6,401,298
2007	7,501,542	6,281,951
2008	6,993,276	5,950,394
2009	6,625,705	6,169,521
2010	6,570,987	6,219,867
2011	6,106,783	6,488,799
Adopted 2012	6,505,758	N/A
Adopted 2013	6,926,580	N/A

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 municipal governments may invest in.

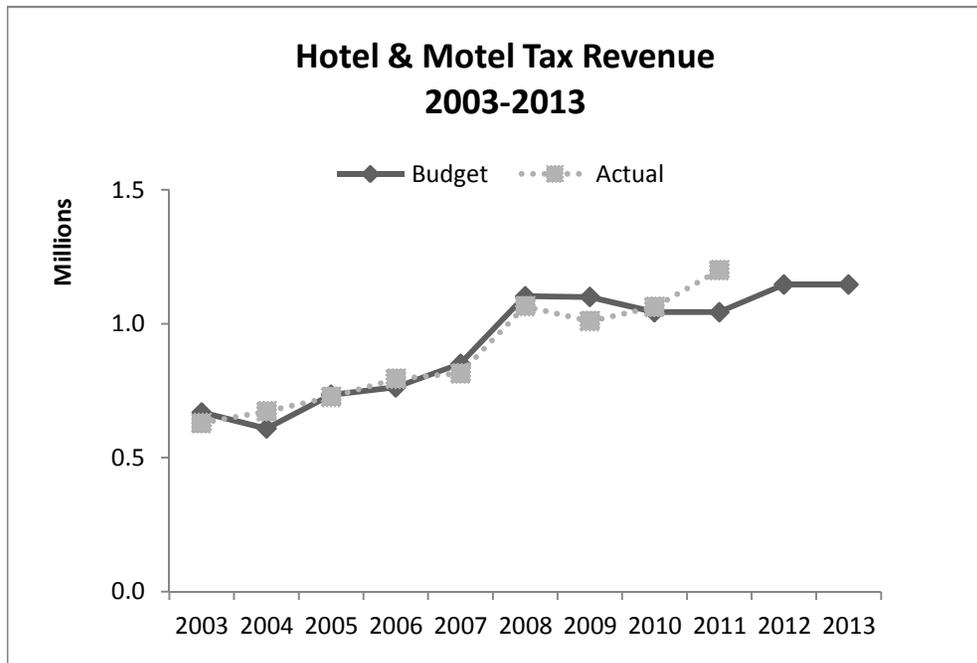
	Budget	Actual
2003	2,275,000	3,047,557
2004	2,901,500	2,632,212
2005	2,587,865	3,046,535
2006	2,923,500	3,366,431
2007	3,100,000	3,700,995
2008	3,477,000	3,083,717
2009	2,646,534	2,924,892
2010	2,371,534	2,955,923
2011	2,415,034	2,370,093
Adopted 2012	2,215,034	N/A
Adopted 2013	2,215,034	N/A



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 Authority (RCVA) 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. In 2013, Hotel & Motel Taxes are budgeted to remain stable at about \$1.1 million.



	Budget	Actual
2003	668,700	629,440
2004	609,080	673,208
2005	734,900	726,526
2006	762,760	794,072
2007	850,700	815,041
2008	1,102,760	1,065,381
2009	1,100,000	1,009,590
2010	1,043,400	1,062,720
2011	1,043,400	1,199,831
Adopted 2012	1,145,900	N/A
Adopted 2013	1,145,900	N/A