

Major City General Fund Revenues

Property Taxes

Property tax revenues account for 34% 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*	\$19,967,273,000
Payable in 2012	\$18,162,106,200
Payable in 2013 (est.)	\$17,100,000,000

St. Paul Net Tax Capacity	
Payable in 2011*	\$247,313,481
Payable in 2012	\$224,084,783
Payable in 2013 (est.)	\$214,000,000

*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 Proposed Budget and Levy

The 2013 proposed City levy is \$101,207,852 which is a 1.9% increase from 2012. Of the proposed 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 proposed 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 2012:

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 2012, a home with a taxable value of \$149,300 had a total property tax bill of \$2,098.

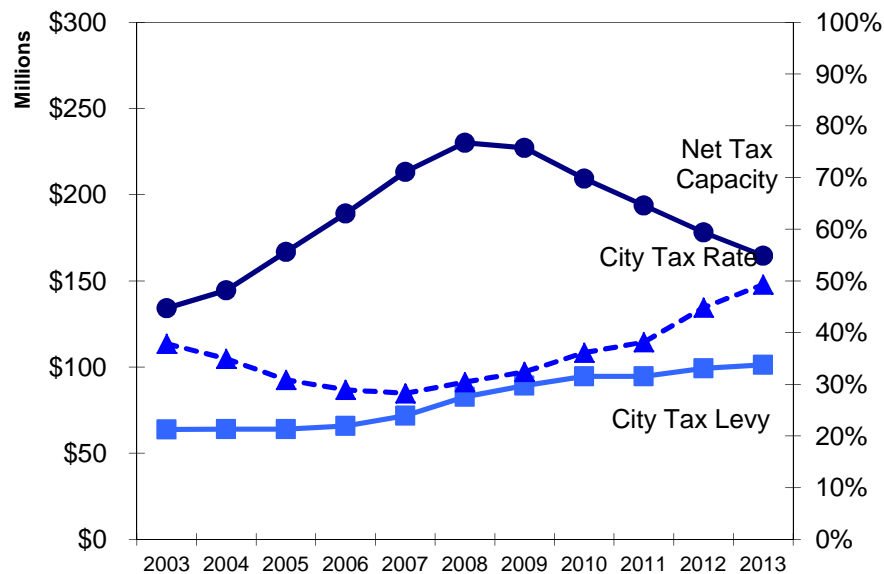
Of the total property tax bill, the single largest share goes to the County and then to the school district. The City receives about 26.7% of the total tax payment – \$560 in this example.

For this particular home, the property tax payment of \$560 to the City of St. Paul would following amounts for key city services:

- \$167 per year for police services
- \$118 per year for fire and emergency medical services
- \$55 per year to operate and maintain the park and recreation system
- \$34 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

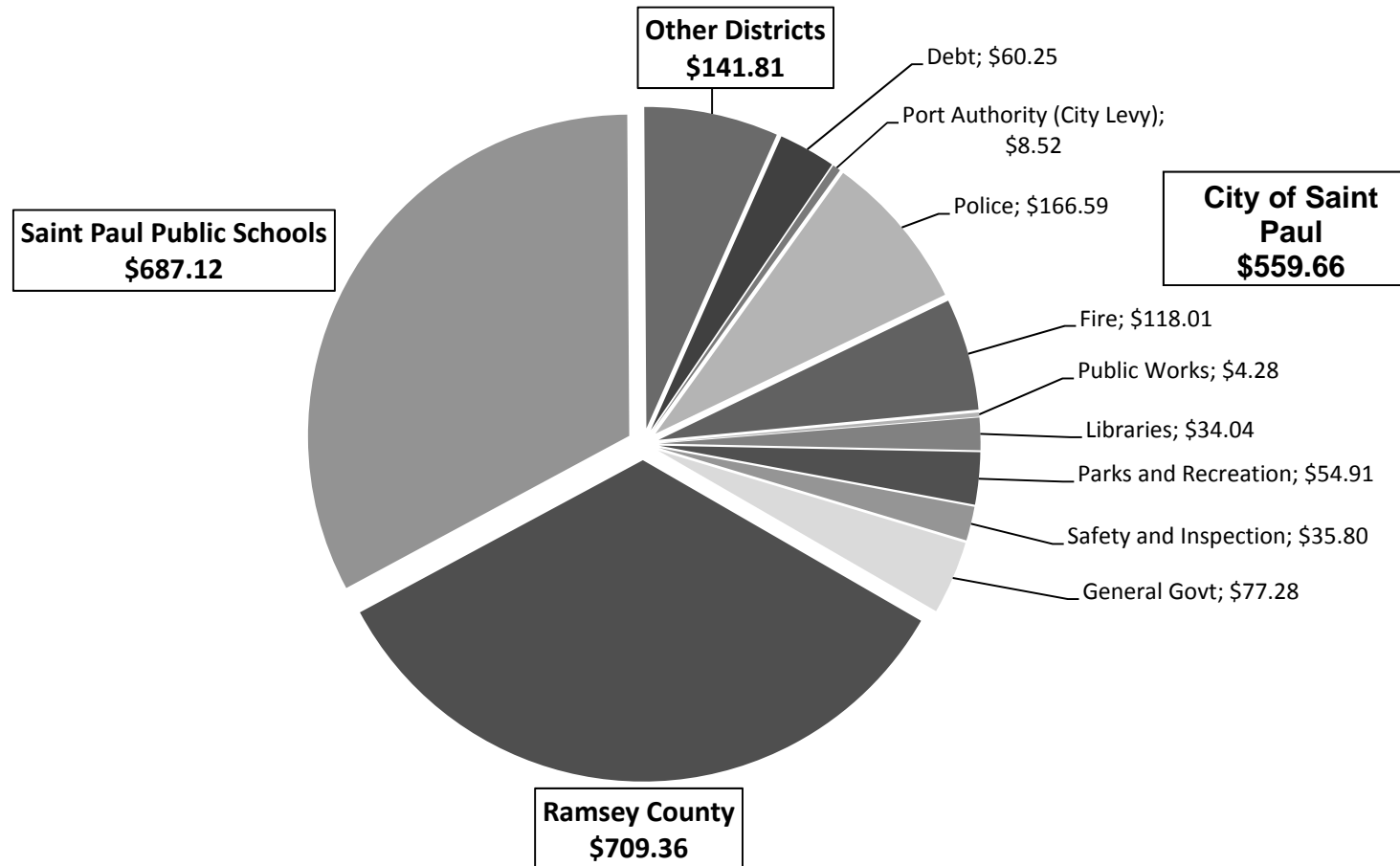
Property taxes cover only a small part of the total cost of services. In total, property taxes supply only about 17% of the City's total revenue and cover about 34% of the general fund budget. In comparison, the City's total adopted 2013 property tax levy for all city purposes—approximately \$99.4 million—is only slightly higher than the \$97.4 million total operating budget of the Police Department.

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



Estimated 2012 Saint Paul Property Taxes

2012 Final Tax Rates Applied to a Typical Home Valued at \$149,300

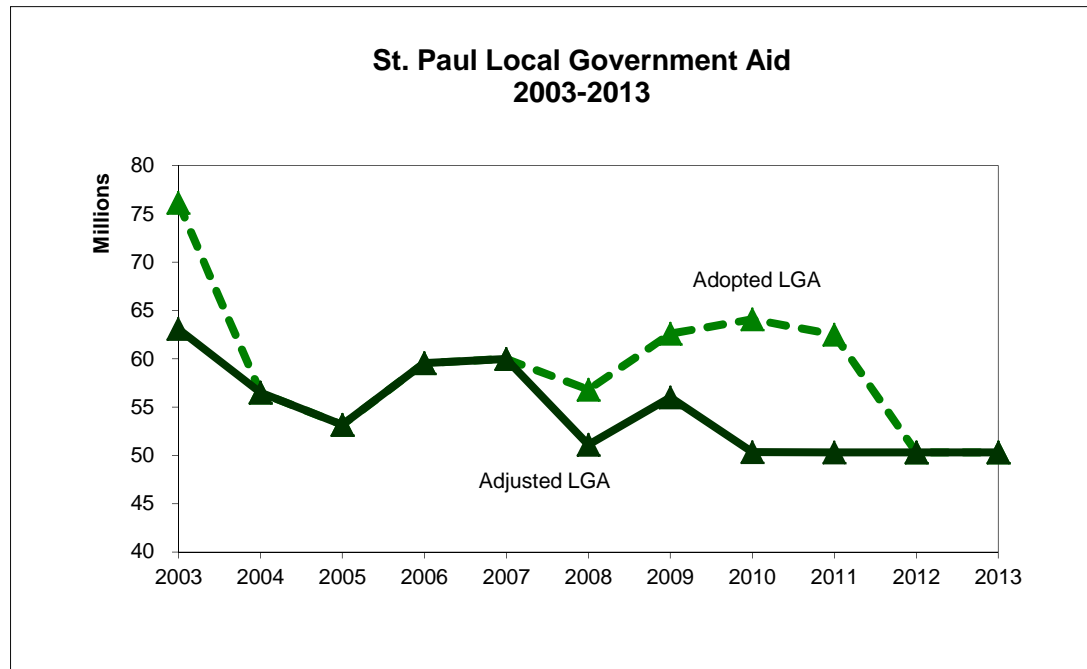


Local Government Aid (LGA)

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.

St. Paul Local Government Aid 2002-2013		
	LGA Funding	Change
2003	76,129,865	
2003*	63,082,166	-17.1%
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*	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

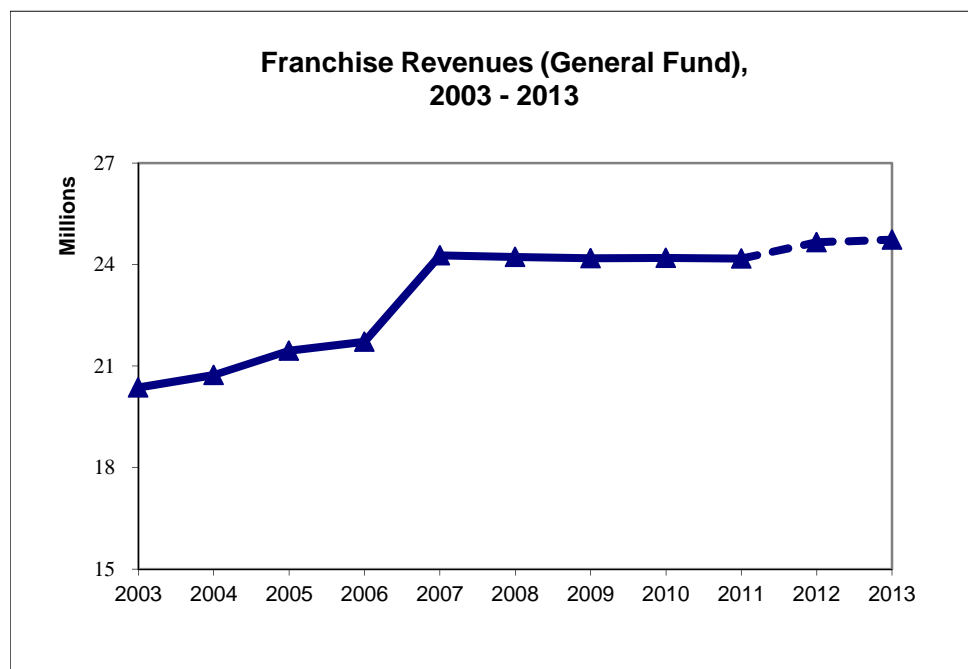
Utilities pay the City of St. Paul a fee for use of City streets and right-of-ways in delivering services to the citizens and businesses of St. Paul. This fee represents usage charges for City-owned assets that utilities may use or disrupt in the process of constructing, installing, and maintaining their 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	18,344,184	20,363,250	111.0%
2004	18,640,603	20,734,091	111.2%
2005	18,720,511	21,453,093	114.6%
2006	19,059,867	21,719,071	114.0%
2007	21,418,043	24,274,128	113.3%
2008	21,595,500	24,224,292	112.2%
2009	24,342,799	24,184,937	99.4%
2010	24,133,361	24,195,778	100.3%
2011	24,629,518	24,176,882	98.2%
2012 Adopted	24,654,518	N/A	
2013 Proposed	24,729,518	N/A	

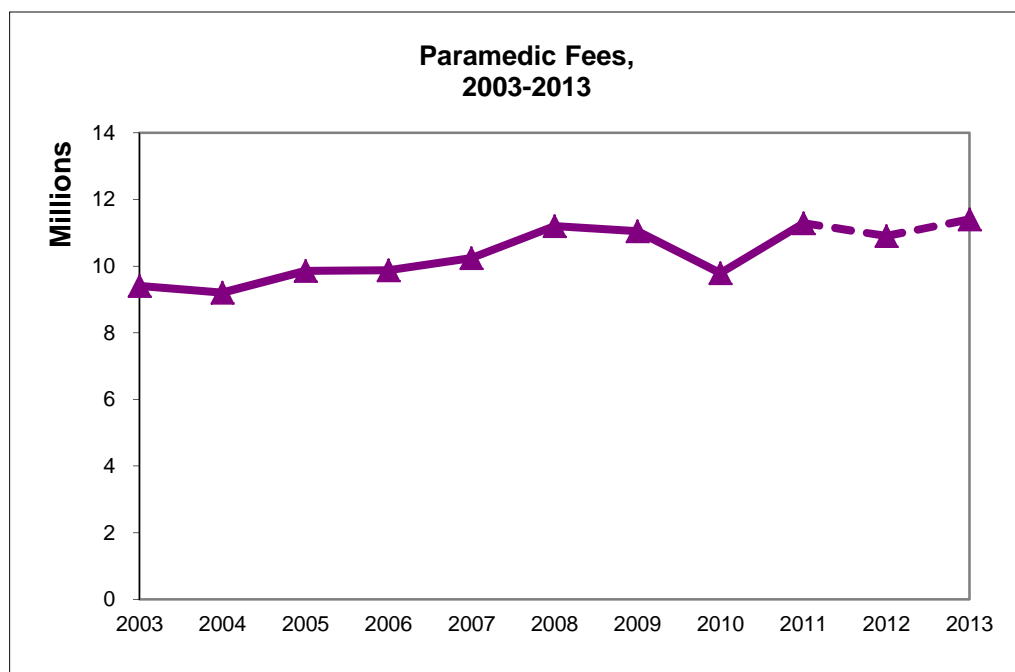


Paramedic Fees

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	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	10,236,954	86.5%
2008	10,641,856	11,199,523	105.2%
2009	12,530,936	11,045,682	88.1%
2010	12,498,551	9,788,665	78.3%
2011	10,900,000	11,284,205	103.5%
2012 Adopted	10,900,000	N/A	-
2013 Proposed	11,400,000	N/A	-

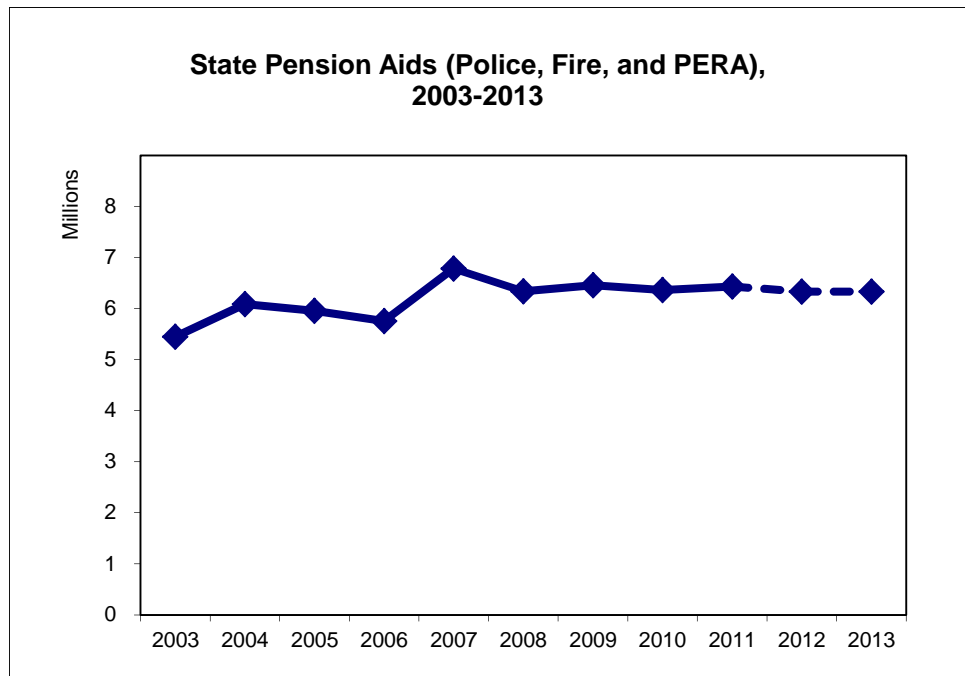
State Pension Aids

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.

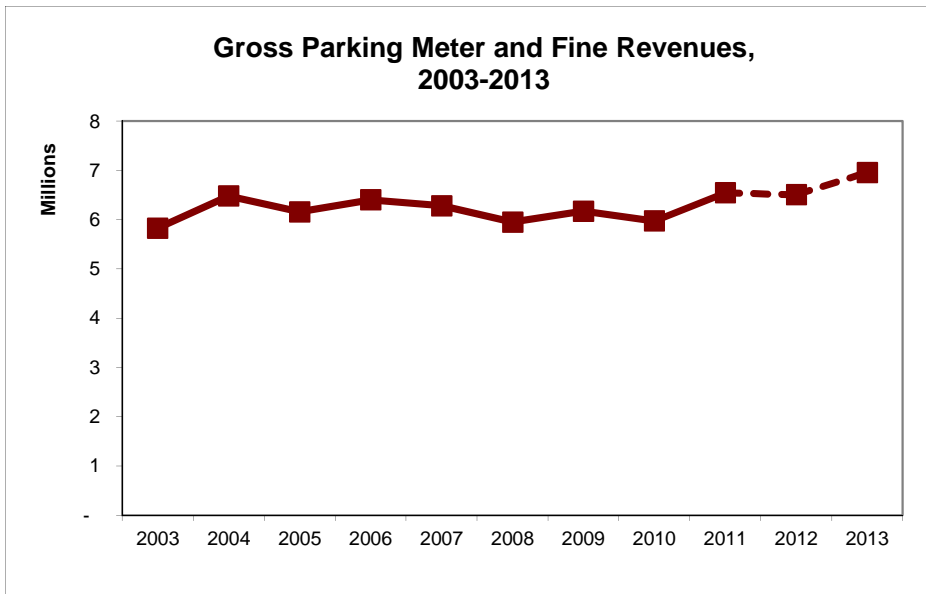
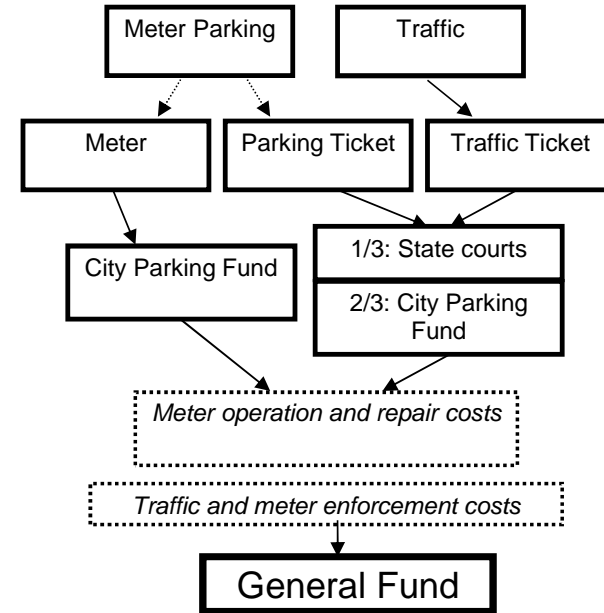


	Budget	Actual	
2003	5,020,472	5,447,696	108.5%
2004	5,017,512	6,086,374	121.3%
2005	5,303,198	5,957,264	112.3%
2006	6,186,094	5,753,112	93.0%
2007	5,957,264	6,780,409	113.8%
2008	6,736,230	6,335,966	94.1%
2009	6,250,691	6,459,128	103.3%
2010	6,459,128	6,364,824	98.5%
2011	6,433,721	6,433,721	100.0%
2012 Adopted	6,333,132	N/A	-
2013 Proposed	6,333,132	0	0.0%

Parking Meters and Fines

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.

Parking revenues are collected by the Department of Public Works, and a portion is retained to cover costs of meter collection and maintenance and police parking enforcement. The remainder is used as a General Fund resource. The flow chart at right illustrates the movement of revenues from collection to the General Fund.



	Net General Fund Budget*	Net General Fund Actual*	
2003	3,961,286	4,346,401	109.7%
2004	4,348,407	4,819,057	110.8%
2005	4,609,394	4,373,429	94.9%
2006	5,331,398	4,527,875	84.9%
2007	5,492,699	4,387,660	79.9%
2008	4,921,547	5,051,297	102.6%
2009	4,614,654	4,905,957	106.3%
2010	4,285,569	4,827,579	112.6%
2011	4,741,540	5,565,332	117.4%
2012 Adopted	4,520,559	N/A	-
2013 Proposed	3,360,891	N/A	-

*Net general fund budget and actuals include total general fund revenues less expenses associated with parking and fine operations.

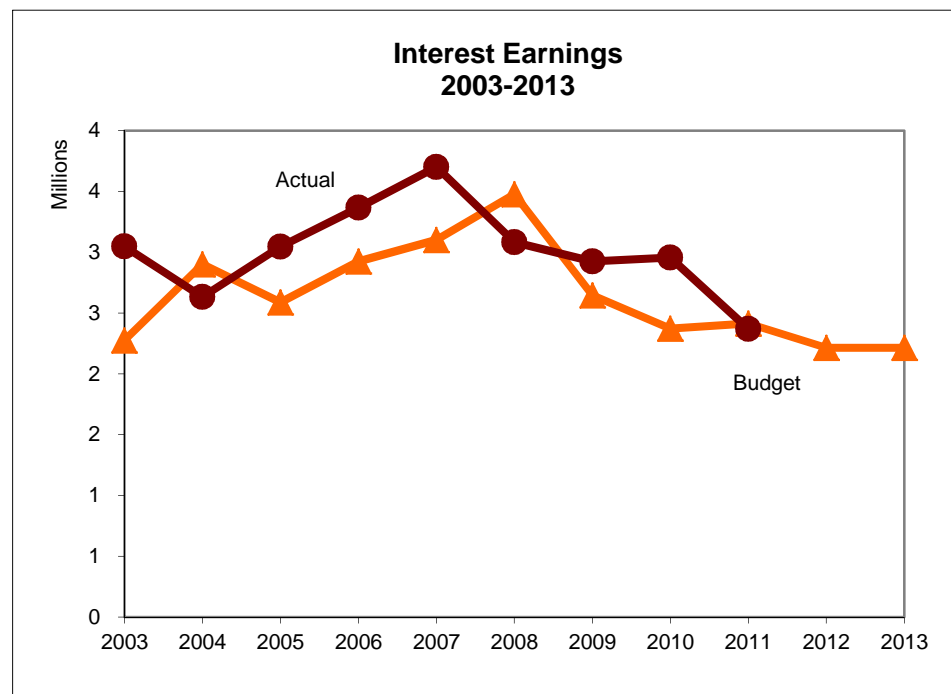
Data includes Continuances for Dismissal (CFDs), a fine revenue generated through the City Attorney's Office.

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.

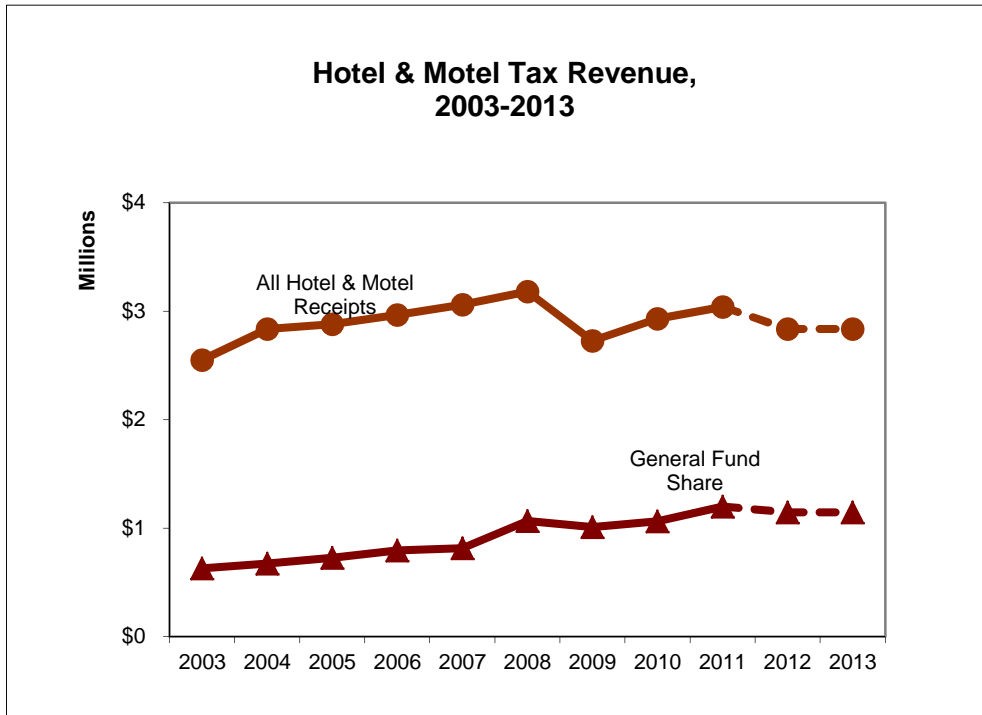
	Budget	Actual	
2003	2,275,000	3,047,557	134.0%
2004	2,901,500	2,632,212	90.7%
2005	2,587,865	3,046,535	117.7%
2006	2,923,500	3,366,431	115.2%
2007	3,100,000	3,700,995	119.4%
2008	3,477,000	3,083,717	88.7%
2009	2,646,534	2,924,892	110.5%
2010	2,371,534	2,955,923	124.6%
2011	2,415,034	2,370,093	98.1%
2012 Adopted	2,215,034	N/A	-
2013 Proposed	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.



	General Fund Budget	General Fund Actual	
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	1,065,381	96.6%
2009	1,100,000	1,009,590	91.8%
2010	1,043,400	1,062,720	101.9%
2011	1,043,400	1,199,831	115.0%
2012 Adopted	1,145,900	N/A	-
2013 Proposed	1,145,900	N/A	-