

Major City General Fund Revenues

Property Taxes

Property tax revenues account for about 42% of general revenues. 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 taxes are 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.

Saint Paul Taxable Market Value	
Payable in 2019	\$24,813,956,200
Payable in 2020	\$26,433,023,300
Payable in 2021 (est.)	\$28,820,056,700

Saint Paul Tax Capacity	
Payable in 2019	\$305,708,468
Payable in 2020	\$322,743,625
Payable in 2021 (est.)	\$352,286,641

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 2021</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

2021 Adopted Budget and Levy

The 2021 adopted City levy is \$165.1 million which is an increase of 0% from 2020. Of the adopted levy, \$163 million will fund city activities. \$126.1 million will go to the City's general fund, \$18.5 million for debt service, and \$18.4 million will fund the Saint Paul Public Library Agency. The City also levies taxes on behalf of the Saint Paul Port Authority, whose adopted 2021 levy is \$2.1 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 2021:

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 2021, a home with a taxable value of \$215,800 could expect a total property tax bill of \$3,077.

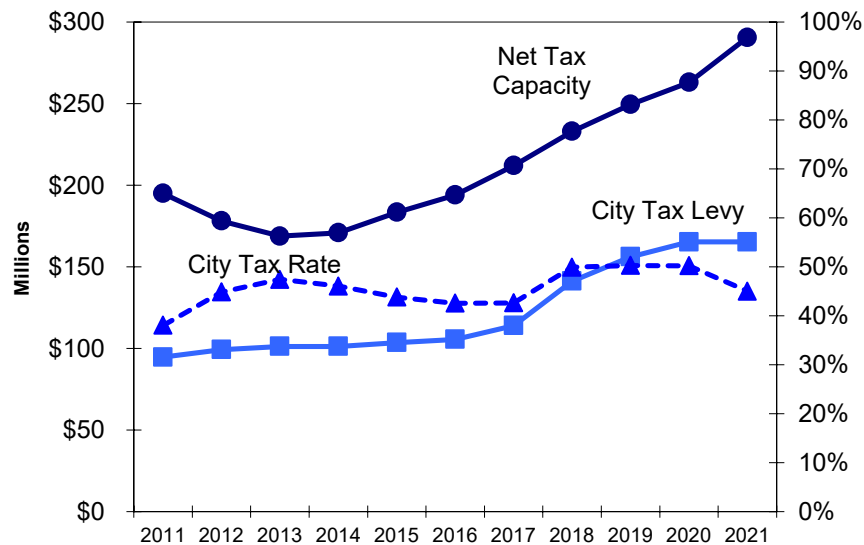
Approximately 29% of the total property tax payment for taxes payable in 2021 pays for City services – \$891 in this example.

For this particular home, the property tax payment of \$891 to the City would include the following amounts for key city services:

- \$246 per year for police services
- \$160 per year for fire and emergency medical services
- \$93 per year to operate and maintain the parks and recreation system
- \$43 per year to operate and buy materials for the Saint Paul Public Libraries
- \$100 per year for capital debt service—the cost of building new park and library facilities, playgrounds, and street construction

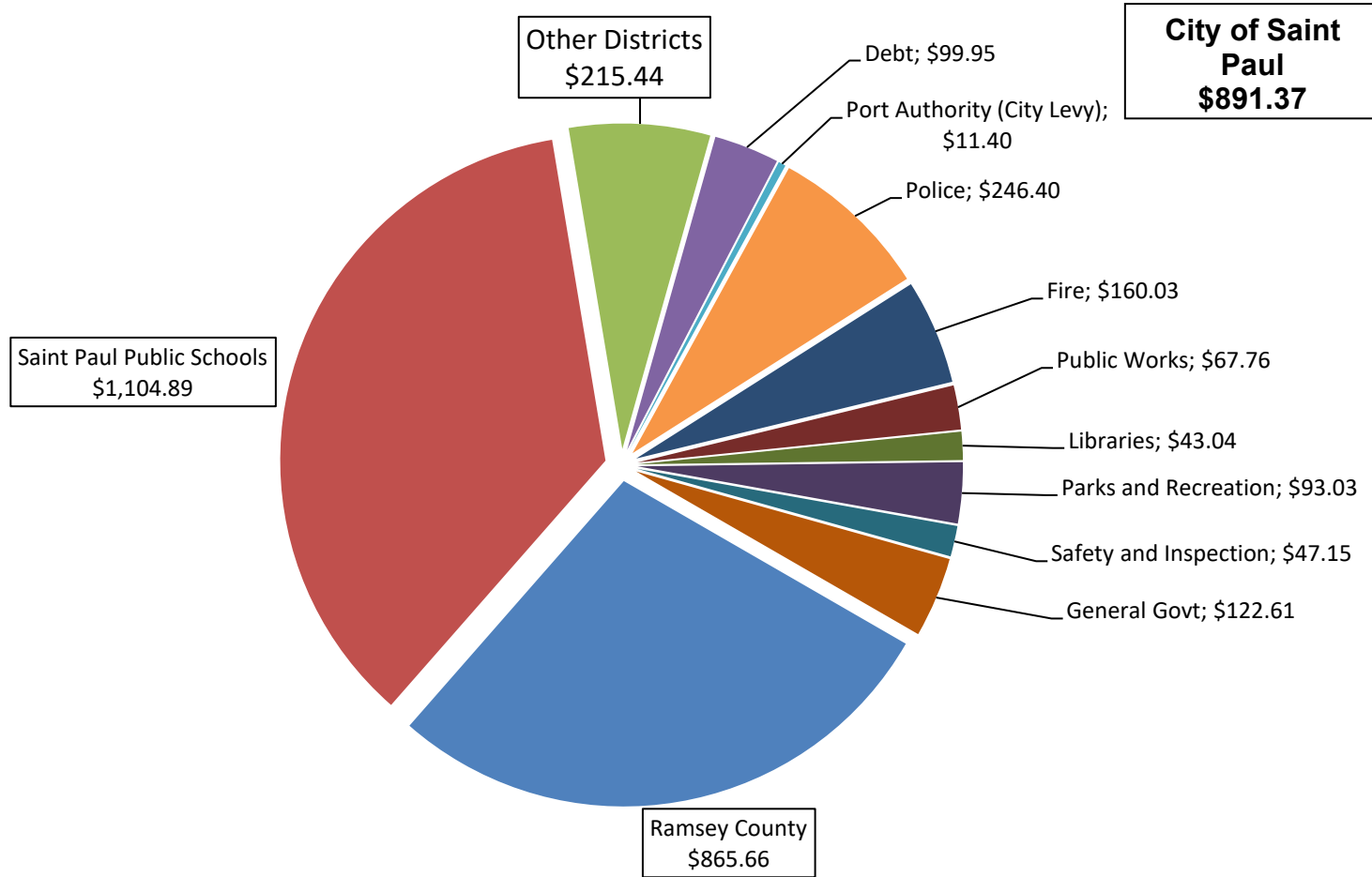
Property taxes cover only a small part of the total cost of services. In total, property taxes support only about 25% of the City's total spending and cover about 42% of the combined City and Library General Fund budgets. In comparison, the City's total adopted 2021 property tax levy for all City purposes—approximately \$165.1 million—is less than the combined Police and Fire department budgets of \$197.6 million.

City of Saint Paul Property Tax Levy, Tax Rates and Net Tax Capacity, 2011-2021



Estimated 2021 Saint Paul Property Taxes

2021 Tax Rates Applied to a Typical Home Valued at \$215,800

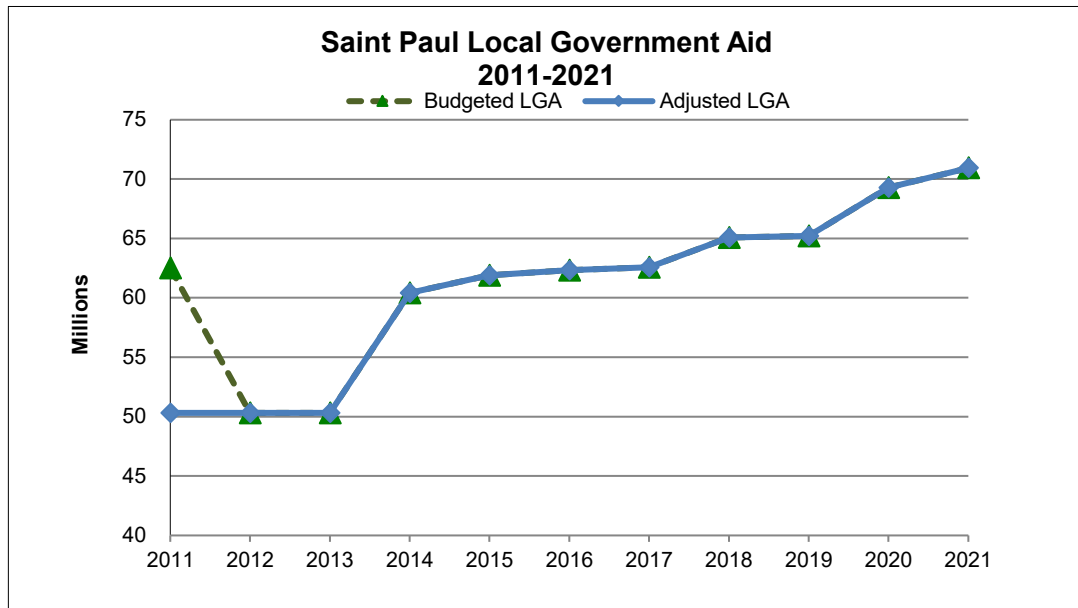


Local Government Aid (LGA)

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 grew annually indexed to inflation. In 2003, the Governor and legislature approved changes to the funding formula and levels that greatly limited Saint Paul’s LGA. LGA has continued to remain a volatile revenue source since 2003 and was reduced midyear in 2008, 2009, 2010 and 2011. After a significant restoration in 2014 of \$10.1 million, LGA grew at or below the rate of inflation through 2017. The 2018 budget included a \$2.5 million increase in LGA. The governor and legislature approved an increase to the LGA appropriation during the 2019 session, which resulted in an additional \$4 million of LGA funding for Saint Paul in that year. In 2021, Saint Paul's LGA allocation will increase by \$1.7 million.

Saint Paul Local Government Aid 2011-2021		
	LGA Funding	Change
2011	62,505,032	24.2%
2011*	50,320,488	-19.5%
2012	50,320,488	0.0%
2013	50,320,488	0.0%
2014	60,422,253	20.1%
2015	61,887,988	2.4%
2016	62,337,589	0.7%
2017	62,562,185	0.4%
2018	65,071,602	4.0%
2019	65,217,748	0.2%
2020	69,276,338	6.2%
2021	70,931,877	2.4%



*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 Saint Paul a fee for use of City streets and right-of-ways in delivering services to the residents and businesses of Saint 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.

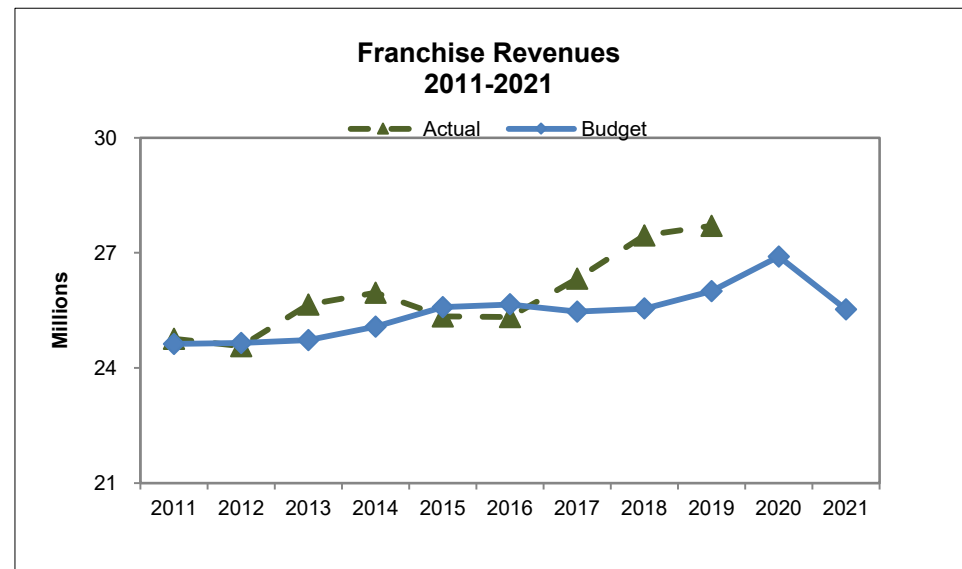
Under state law, utilities may pass on their fees to utility customers on monthly bills. For each utility, the franchise fee is based on a negotiated formula adopted by City Council ordinance. Most of this revenue goes to the General Fund, but some franchise revenue supports debt service or specific City programs.

Revenue decreases are projected in 2021 as electricity sales are assumed to continue to be negatively impacted by the pandemic.

Saint Paul Franchise Agreements:

- **Xcel Energy** supplies natural gas and electrical service to Saint Paul homes and businesses.
- **Comcast and Century Link** provide cable television to Saint Paul homes and businesses.
- **District Cooling**, part of District Energy, supplies cooled water for air conditioning in most of downtown Saint Paul.
- **District Energy** provides heat to much of downtown Saint Paul and electricity to Xcel Energy.

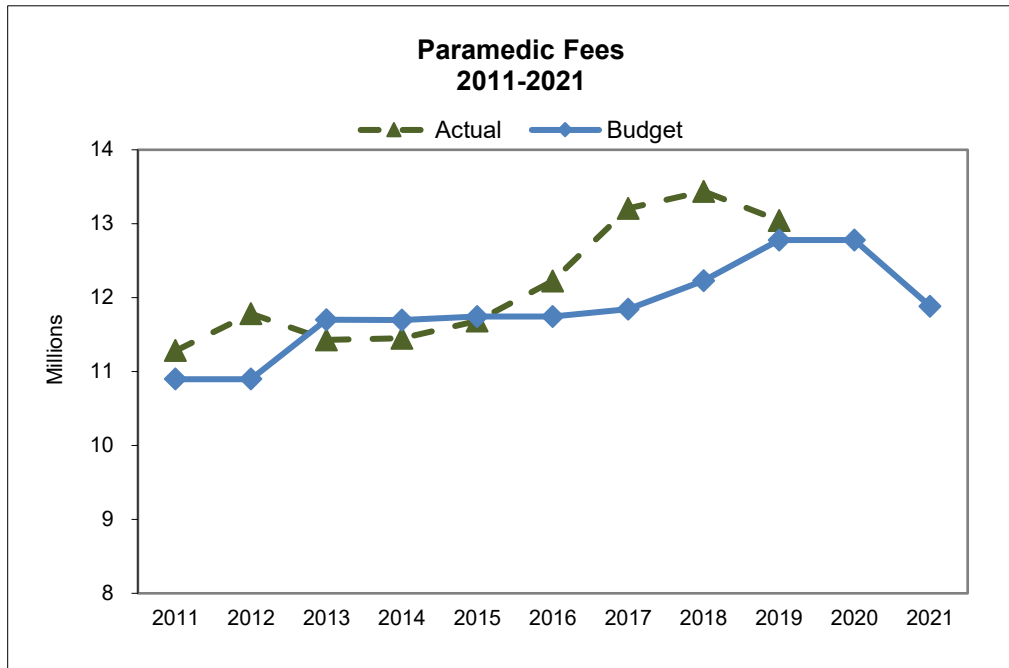
	Budget	Actual
2011	24,629,518	24,758,457
2012	24,654,518	24,568,433
2013	24,729,518	25,654,850
2014	25,079,518	25,957,526
2015	25,584,650	25,341,386
2016	25,656,218	25,324,225
2017	25,466,879	26,329,251
2018	25,546,879	27,450,651
2019	26,001,331	27,702,499
2020	26,901,331	N/A
2021 Adopted	25,528,490	N/A



Paramedic Fees

The Saint Paul Fire Department's paramedics and emergency medical technicians respond to more than 36,000 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 operations of Fire and Safety Services. Projected 2021 revenue losses are based on decreased paramedic run volume.



	Budget	Actual
2011	10,900,000	11,284,205
2012	10,900,000	11,782,655
2013	11,700,000	11,428,650
2014	11,694,962	11,449,963
2015	11,744,962	11,686,052
2016	11,744,962	12,226,901
2017	11,844,962	13,209,033
2018	12,229,438	13,438,514
2019	12,779,438	13,042,774
2020	12,779,438	N/A
2021 Adopted	11,884,877	N/A

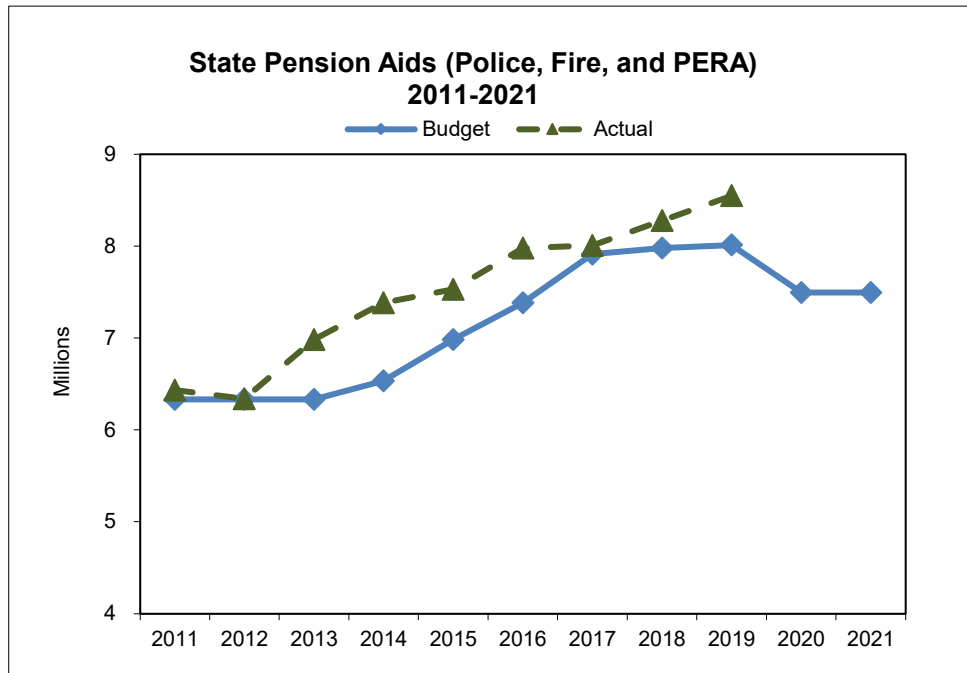
State Pension Aids

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. Saint Paul receives aid for Police and Fire pensions based on a number of factors:

- the number of full-time firefighters and sworn police officers Saint 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.



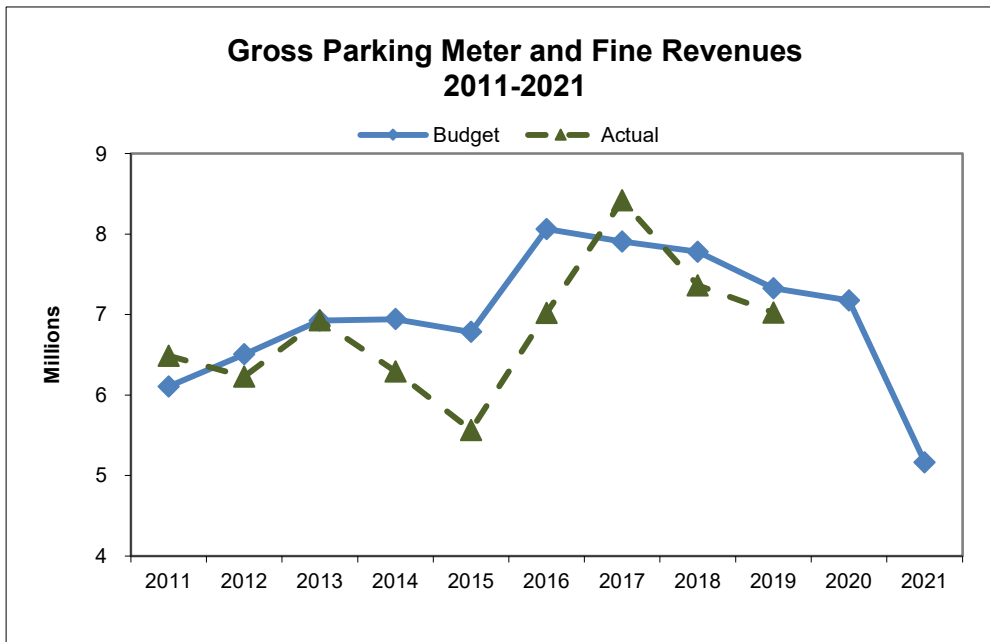
	Budget	Actual
2011	6,333,132	6,433,722
2012	6,333,132	6,338,457
2013	6,333,132	6,982,099
2014	6,533,134	7,382,706
2015	6,982,099	7,527,738
2016	7,382,706	7,978,237
2017	7,912,706	8,005,373
2018	7,978,237	8,276,838
2019	8,013,098	8,549,091
2020	7,495,586	N/A
2021 Adopted	7,495,586	N/A

Parking Meters and Fines

Parking meters and fines include 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 2,000 metered parking spaces in areas around Saint Paul, and Saint Paul Police enforce both parking rules and the state's traffic laws on Saint Paul streets and highways.

The parking fine projections for 2021 assume continued impact from the pandemic on traffic and parking fines, and that the City will collect 72% of the 2020 budgeted amount in 2021. Additionally, revenue generated from parking meters has declined in 2020 due to social distancing requirements and event cancelations. It is assumed this trend continues into 2021, and parking meter revenues are expected to decrease by \$1 million as a result.

The City permanently lowered continuance for dismissal fees in November of 2019. This has impacted 2020 revenue, and as a result the 2021 budget assumes a \$192,000 decrease in continuance for dismissal revenue.



	Budget	Actual
2011	6,106,783	6,488,799
2012	6,505,758	6,228,829
2013	6,926,580	6,928,761
2014	6,943,080	6,293,814
2015	6,783,810	5,565,342
2016	8,061,794	7,019,173
2017	7,907,809	8,418,293
2018	7,780,496	7,361,518
2019	7,326,646	7,025,113
2020	7,176,646	N/A
2021 Adopted	5,165,484	N/A

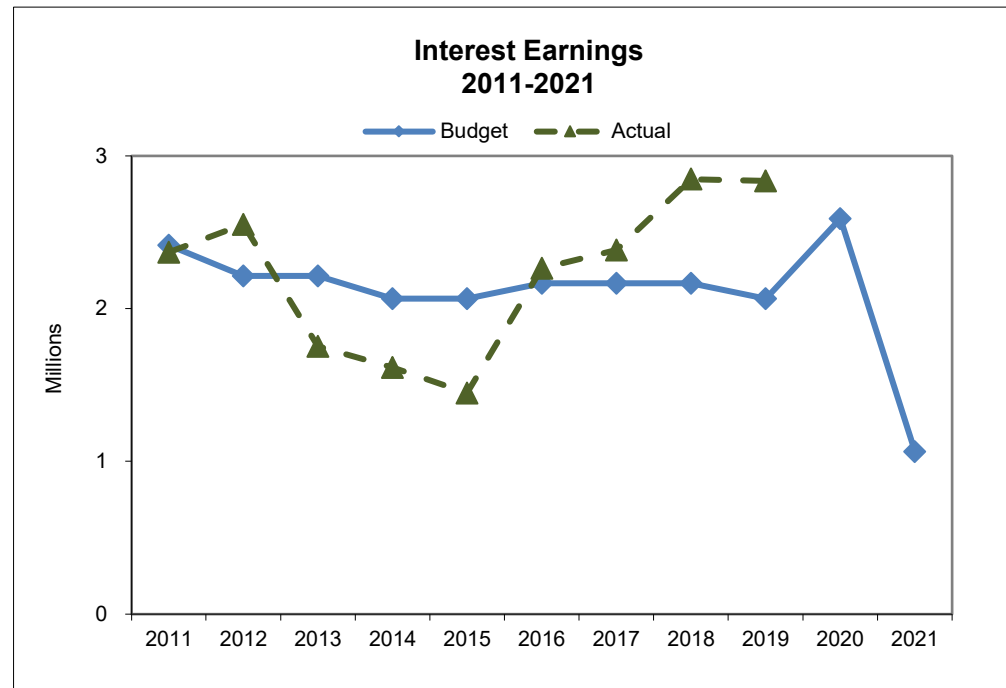
Interest Earnings

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 in compliance with the City's Investment Policy and State statutes. State law restricts the types of securities in which municipal governments may invest.

Earnings reductions are assumed in 2021 due to COVID related economic and market impacts.

	Budget	Actual
2011	2,415,034	2,370,093
2012	2,215,034	2,552,191
2013	2,215,034	1,752,840
2014	2,065,034	1,614,972
2015	2,065,034	1,448,131
2016	2,165,034	2,264,481
2017	2,165,034	2,383,159
2018	2,165,034	2,848,061
2019	2,065,034	2,836,127
2020	2,590,034	N/A
2021 Adopted*	1,064,608	N/A



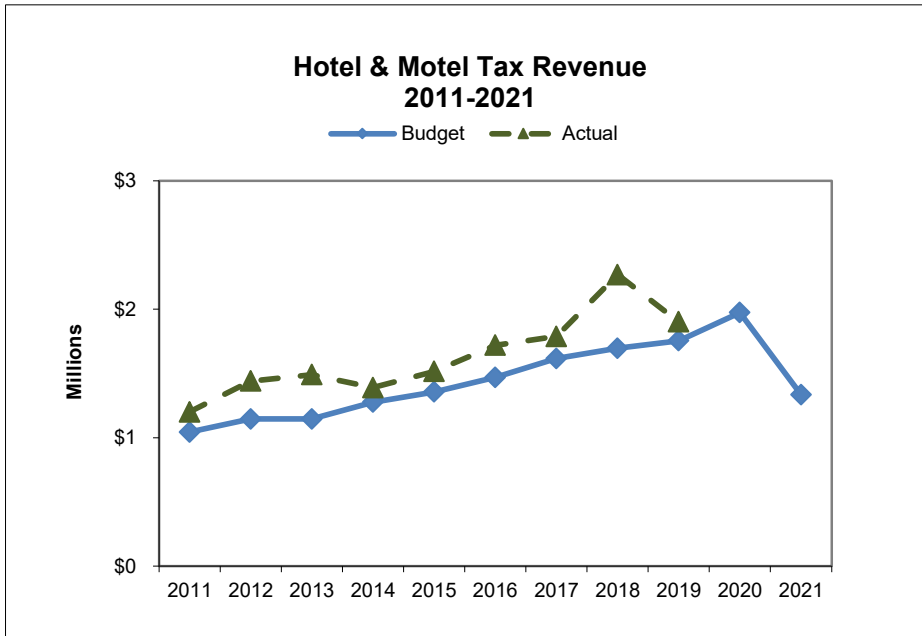
*Starting in 2021, this amount includes all General Fund interest earnings. A portion of this revenue was previously reflected in the Office of Financial Services General Fund budget.

Hotel & Motel Tax

Through 2019, the City has changed a 6% tax on most room charges in Saint Paul, in addition to the state sales tax. For hotels and motels under 50 rooms, the tax is 3%. During the 2019 legislative session, Saint Paul was granted authority to increase this tax to 7%.

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.

This revenue was significantly impacted in 2020 as hotel occupancy decreased dramatically due to the COVID pandemic. These impacts are anticipated to linger into 2021.



	Budget	Actual
2011	1,043,400	1,199,831
*2012	1,145,900	1,440,985
2013	1,145,900	1,490,362
2014	1,276,250	1,390,077
2015	1,356,400	1,515,120
2016	1,469,010	1,719,686
2017	1,615,800	1,787,319
2018	1,695,800	2,268,537
2019	1,754,050	1,901,642
2020	1,973,450	N/A
2021 Adopted	1,334,915	N/A

* Beginning in 2012, the City of Saint Paul transitioned to a new chart of accounts leading to an impact on the distribution of Hotel & Motel Tax.