

Major General Fund Revenues

Property Taxes

Property tax revenues account for about 46% of general fund revenues for the City and the Library. 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 Tax Capacity	Amount
Payable in 2021	\$351,593,670
Payable in 2022	\$360,745,057
Payable in 2023 (est.)	\$397,311,870

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.

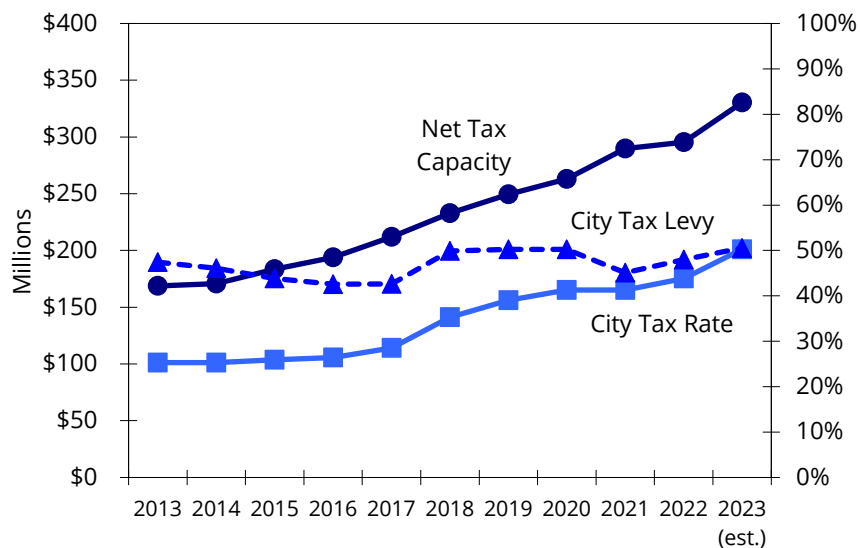
Minnesota Property Tax Class Rates Payable in 2023

Property Type	Class Rate
Residential Homestead Up to \$500,000	1.00%
Residential Homestead Over \$500,000	1.25%
Apartments (4 or more units)	1.25%
Commercial/Industrial Up to \$150,000	1.50%
Commercial/Industrial Over \$150,000	2.00%

2023 Adopted Budget and Levy

The 2023 adopted City levy is \$201 million which is an increase of 14.65% from 2022. Of this levy increase, more than half (7.74%) is needed to cover the costs of street maintenance services shifting to the General Fund. The remaining 6.9% increase is needed for general city operations. In total, approximately \$198.4 million of the levy will fund city activities. \$155.8 million will go to the City's General Fund, \$21.6 million for debt service, and \$21 million will fund the Saint Paul Public Library Agency. The City also levies taxes on behalf of the Saint Paul Port Authority, whose 2023 adopted levy is \$2.6 million.

City of Saint Paul Property Tax Levy, Tax Rates and Net Tax Capacity, 2013-2023



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 2023:

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 2023, a home with a taxable value of \$266,300 could expect a total property tax bill of \$3,896.

Approximately 33% of the total property tax payment for taxes payable in 2023 pays for City services – \$1,278 in this example.

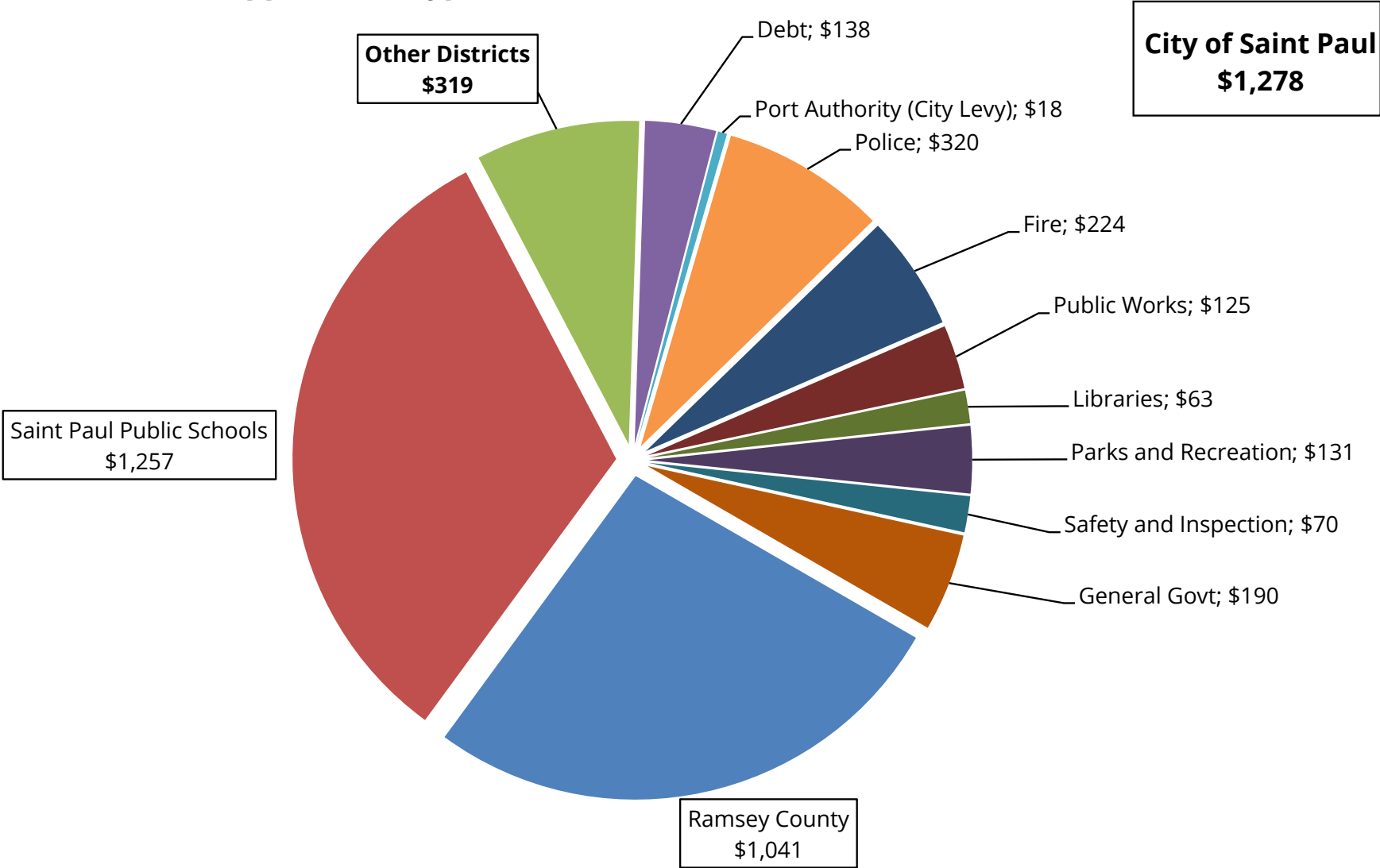
For this particular home, the property tax payment of \$1,278 to the City would include the following amounts for key city services:

- \$320 per year for police services
- \$224 per year for fire and emergency medical services
- \$131 per year to operate and maintain the parks and recreation system
- \$63 per year to operate and buy materials for the Saint Paul Public Libraries
- \$138 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 24% of the City's total spending and cover about 46% of the combined City and Library General Fund budgets. In comparison, the City's total adopted 2023 property tax levy for all City purposes – approximately \$201 million – is less than the combined Police and Fire department budgets of \$220.3 million.

Estimated 2023 Saint Paul Property Taxes

2023 Estimated Tax Rates Applied to a Typical Home Valued at \$266,300



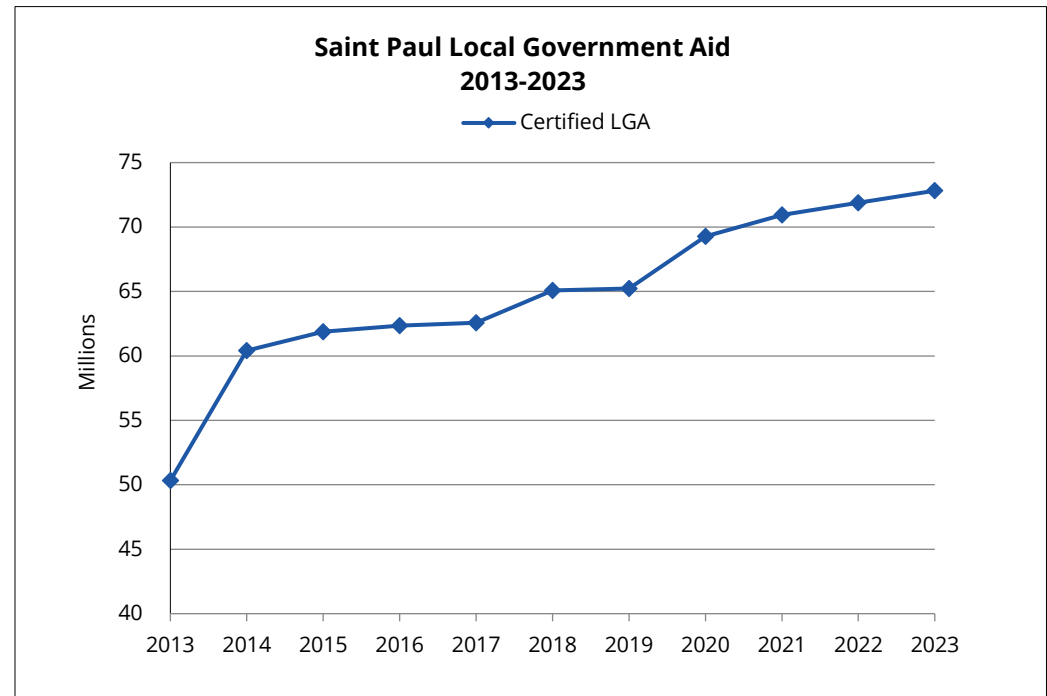
Local Government Aid

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 2023, Saint Paul's LGA allocation will increase by \$929 thousand.

Saint Paul Local Government Aid

Year	LGA Funding	Change
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%
2022	71,888,109	1.3%
2023	72,817,360	1.3%



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.

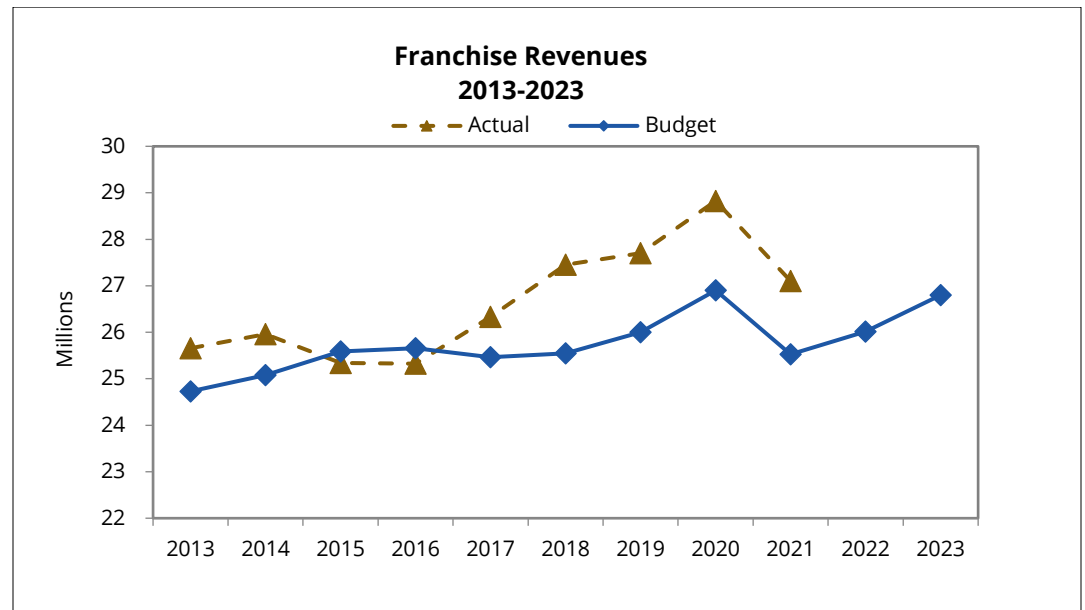
Modest revenue increases are projected in 2023.

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.

Franchise Revenues 2013 – 2023

Year	Budget	Actual
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	28,825,423
2021	25,528,490	27,100,779
2022	26,014,223	N/A
2023	26,800,000	N/A



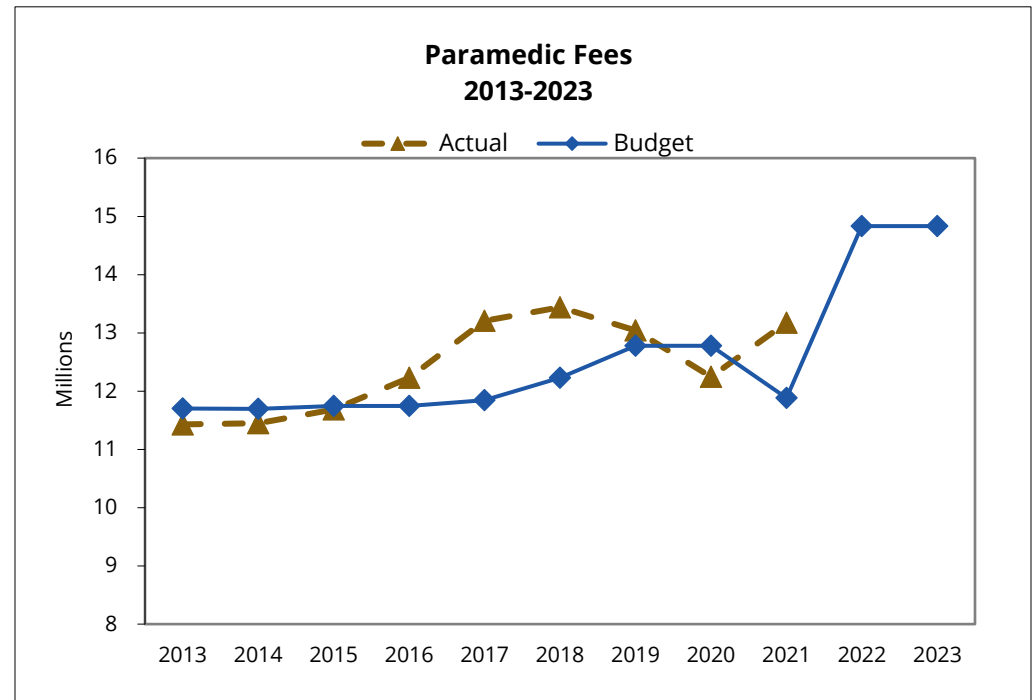
Paramedic Fees

The Saint Paul Fire Department's paramedics and emergency medical technicians respond to over 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.

Paramedic Fees 2013 - 2023

Year	Budget	Actual
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	12,244,186
2021	11,884,877	13,174,907
2022	14,832,377	N/A
2023		



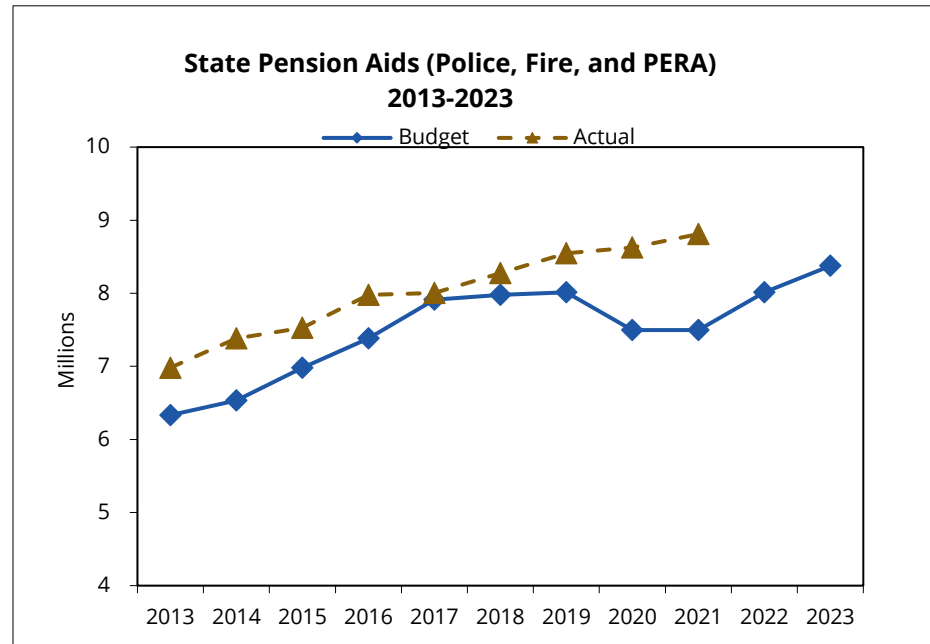
State Pension Aids

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

State Pension Aids (Police, Fire, and PERA) 2013 – 2023

Year	Budget	Actual
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	8,624,913
2021	7,495,586	8,809,732
2022	8,012,486	N/A
2023	8,374,866	N/A



Parking Meters and Fines

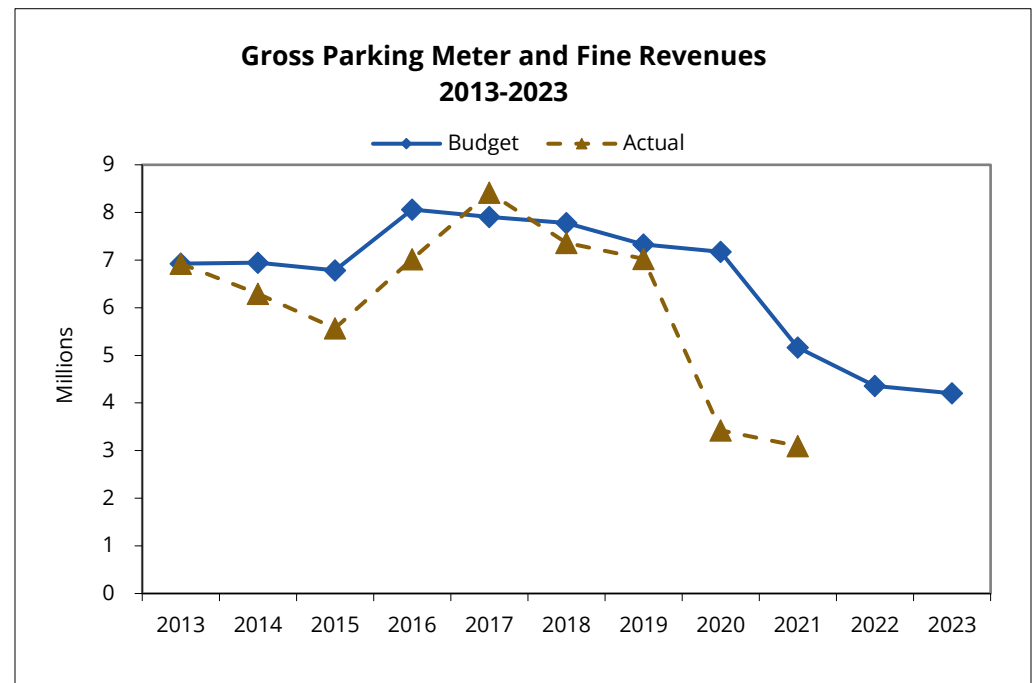
Parking meters and fines include revenues from parking meter collections, fines from parking and traffic enforcement, as well as fees collected through the City's continuance for dismissal program. The City operates over 2,000 metered parking spaces in areas around Saint Paul, and Saint Paul Police enforce both parking rules and the state's traffic laws on Saint Paul streets and highways.

Revenue generated from meters and fines declined significantly in 2020 as a result of the COVID-19 pandemic. The 2021 budget set these revenues lower than 2020, anticipating continued impacts of the pandemic. The 2022 budget includes a further reduction in these revenues as the pandemic continues to impact activities in Saint Paul. The 2023 budget maintains the lower revenue amounts budgeted in 2022.

The City permanently lowered continuance for dismissal fees in November of 2019 which has resulted in significantly lower revenues. The 2023 budget set continuance for dismissal revenues lower than 2022 due to the lower collected revenues.

Gross Parking Meter and Fine Revenues 2013 -2023

Year	Budget	Actual
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	3,424,307
2021	5,165,484	3,096,192
2022	4,360,484	N/A
2023	4,202,942	N/A



Interest Earnings

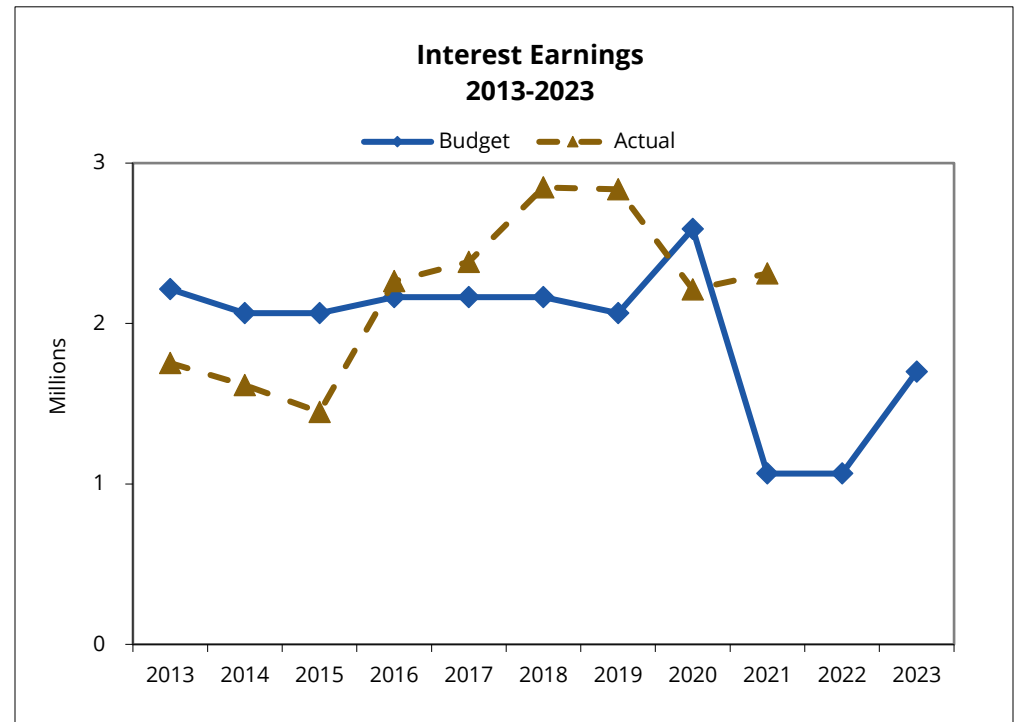
The City's investment pool earns annual returns based on two key factors: the investment balance of the pool (total amount invested), and the performance of the market. Interest earnings in certain special funds have also been allocated to the General Fund in past years.

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.

The 2023 budget includes modest increases in interest earnings projections.

Interest Earnings 2013 - 2023

Year	Budget	Actual
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	2,212,980
2021*	1,064,608	2,312,444
2022	1,064,608	N/A
2023	1,700,000	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 and Motel Tax

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

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 2020-2022 as hotel occupancy decreased dramatically due to the COVID-19 pandemic. The 2023 budget reflects anticipated recovery in hotel and motel tax revenue.

Hotel and Motel Tax Revenue

Year	Budget	Actual
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	534,381
2021*	1,334,915	877,582
2022	1,014,950	N/A
2023	1,675,250	N/A

