

# Property Taxes

Property tax revenues account for about 35% 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.

St. Paul Taxable Market Value	
Payable in 2013	\$17,069,596,300
Payable in 2014	\$17,136,978,400
Payable in 2015 (est.)	\$18,558,980,800

St. Paul Tax Capacity	
Payable in 2013	\$213,623,497
Payable in 2014	\$214,507,992
Payable in 2015 (est.)	\$229,600,064

## 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 2015</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

## 2015 Proposed Budget and Levy

The 2015 proposed City levy is \$103,636,842 which is an increase of 2.4% from 2014. Of the proposed levy, \$101.7 million will fund city activities. \$73.1 million will go to the City's general fund, \$12.4 million for debt service, and \$16.2 million will fund the St. Paul Public Library Agency. The City also levies taxes on behalf of the St. Paul Port Authority, whose proposed 2015 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 2014:

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 2014, a home with a taxable value of \$130,500 had a total property tax bill of \$1,895.24.

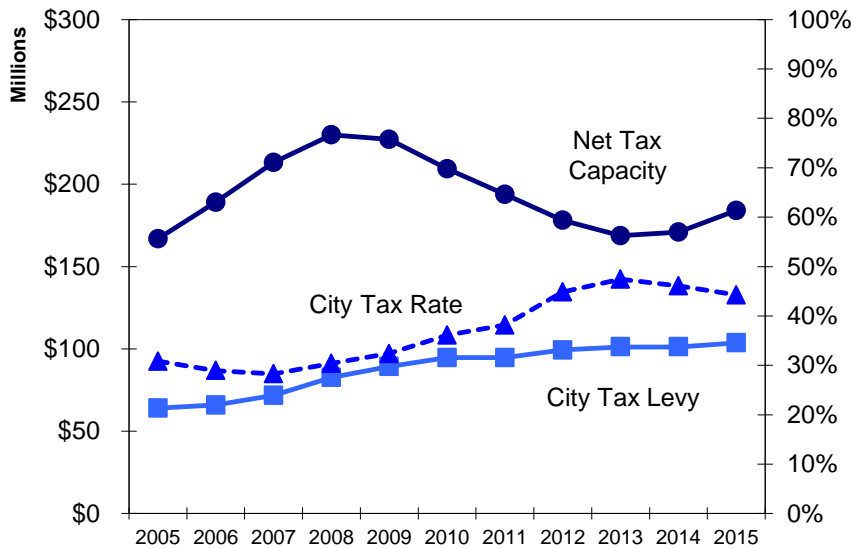
Approximately 25.5% of the total property tax payment for taxes payable in 2014 pays for City services – \$483.73 in this example.

For this particular home, the property tax payment of \$483.73 to the City would include the following amounts for key city services:

- \$143 per year for police services
- \$96 per year for fire and emergency medical services
- \$46 per year to operate and maintain the parks and recreation system
- \$27 per year to operate and buy materials for the Saint Paul Public Libraries
- \$57 per year for capital debt service—the cost of building new park and library facilities, playgrounds, and street construction

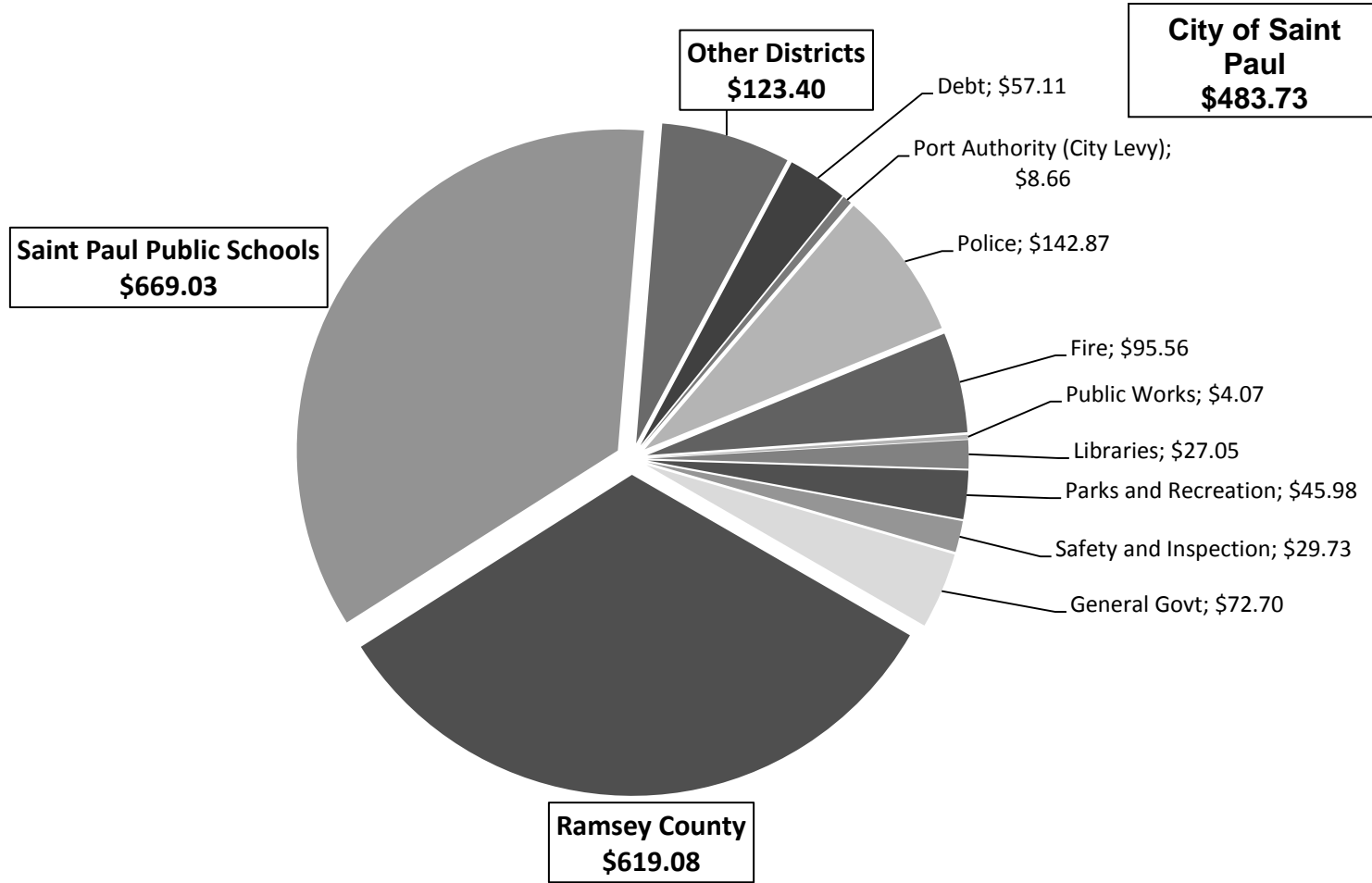
Property taxes cover only a small part of the total cost of services. In total, property taxes supply only about 17% of the City's total revenue and cover about 36% of the combined City and Library General Fund budgets. In comparison, the City's total proposed 2015 property tax levy for all city purposes—approximately \$101.8 million—is less than the \$102.7 million operating budget of the Police Department.

**City of St. Paul Property Tax Levy, Tax Rates and Net Tax Capacity, 2005-2015**



# Estimated 2014 Saint Paul Property Taxes

2014 Final Tax Rates Applied to a Typical Home Valued at \$130,500

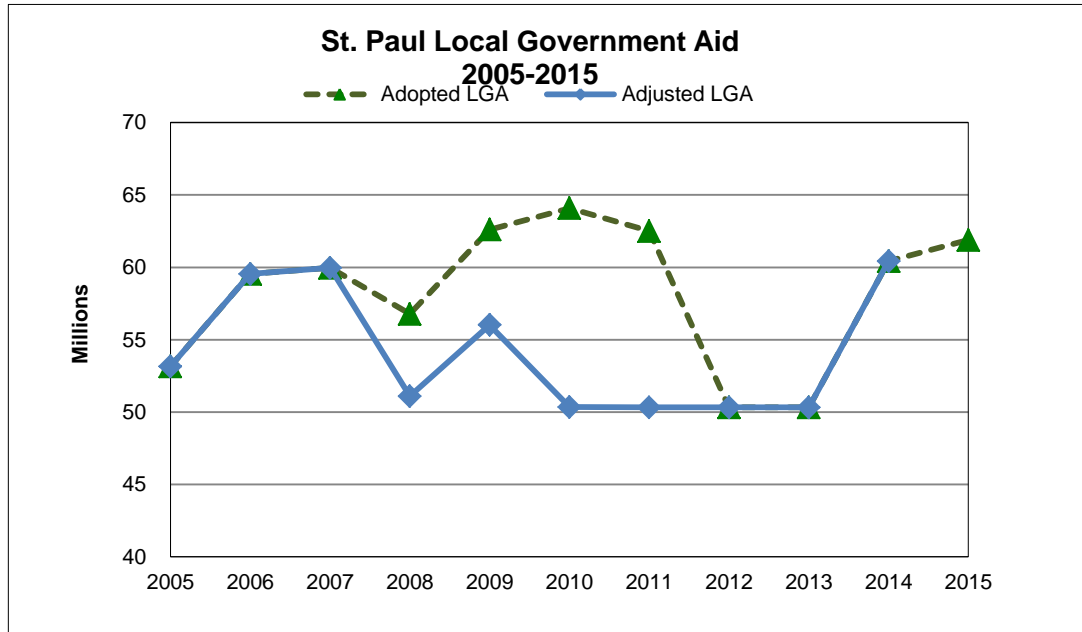


# Local Government Aid (LGA)

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. Actual LGA funding received by the City remained flat for three consecutive years from 2011 to 2013. In 2015, the City is expected to receive a \$1,465,755 increase in LGA which was adopted by the State Legislature during the 2014 legislative session.

St. Paul Local Government Aid 2005-2015		
	LGA Funding	Change
<b>2005</b>	53,151,835	
<b>2006</b>	59,544,561	12.0%
<b>2007</b>	59,961,201	0.7%
<b>2008</b>	56,781,644	-5.3%
<b>2008*</b>	51,092,991	-10.0%
<b>2009</b>	62,600,018	22.5%
<b>2009*</b>	56,013,366	-10.5%
<b>2010</b>	64,079,116	14.4%
<b>2010**</b>	50,345,488	-21.4%
<b>2011</b>	62,505,032	24.2%
<b>2011*</b>	50,320,488	-19.5%
<b>2012</b>	50,320,488	0.0%
<b>2013</b>	50,320,488	0.0%
<b>2014</b>	60,422,233	20.1%
<b>2015</b>	61,887,988	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

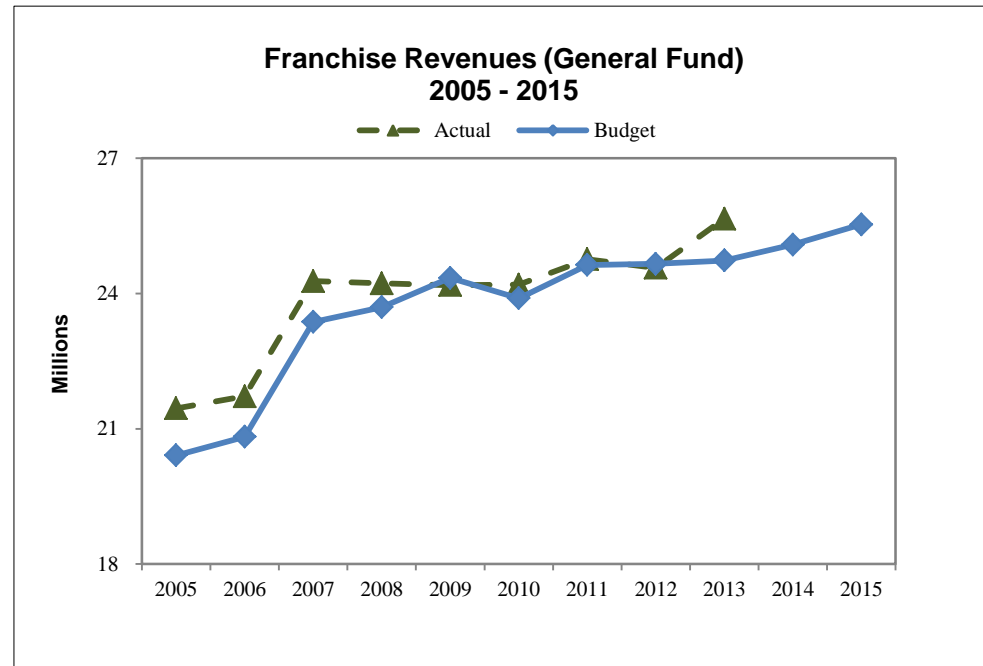
Utilities pay the City of St. Paul a fee for use of City streets and right-of-ways in delivering services to the citizens and businesses of St. Paul. This fee represents usage charges for City-owned assets that utilities may use or disrupt in the process of constructing, installing, and maintaining their 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 2015:

- **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.

	Budget	Actual
<b>2005</b>	20,410,511	21,453,093
<b>2006</b>	20,819,867	21,719,071
<b>2007</b>	23,368,043	24,274,128
<b>2008</b>	23,695,500	24,224,292
<b>2009</b>	24,342,799	24,184,937
<b>2010</b>	23,893,730	24,195,778
<b>2011</b>	24,629,518	24,758,457
<b>2012</b>	24,654,518	24,568,433
<b>2013</b>	24,729,518	25,654,850
<b>2014 Adopted</b>	25,079,518	N/A
<b>2015 Proposed</b>	25,529,518	N/A

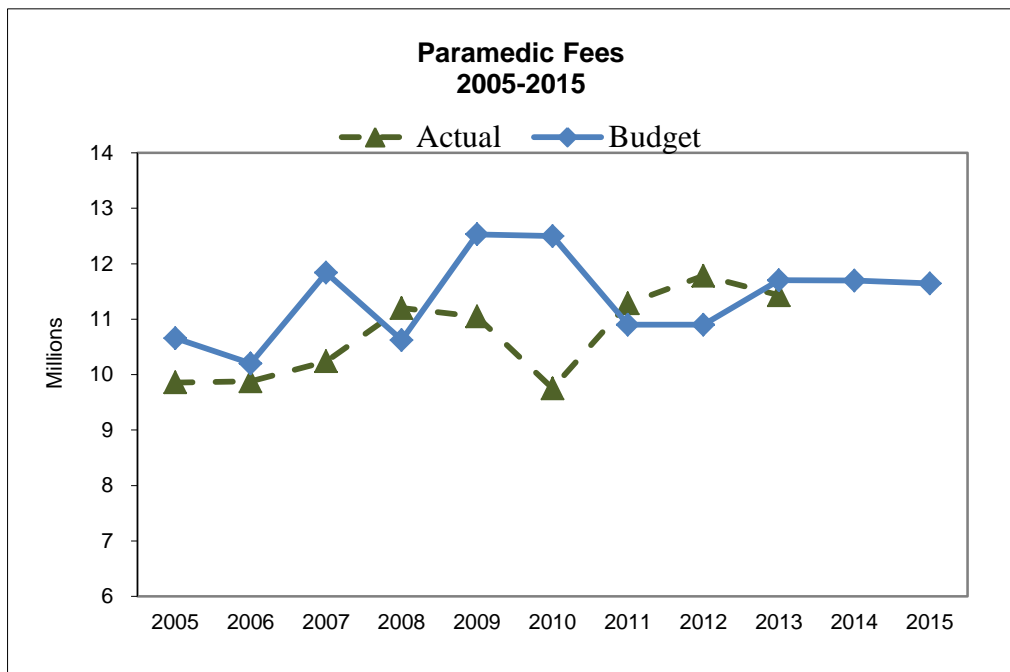


# Paramedic Fees

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
<b>2005</b>	10,655,407	9,856,956
<b>2006</b>	10,200,000	9,876,413
<b>2007</b>	11,835,896	10,236,954
<b>2008</b>	10,621,856	11,199,523
<b>2009</b>	12,530,936	11,045,682
<b>2010</b>	12,498,551	9,750,006
<b>2011</b>	10,900,000	11,284,205
<b>2012</b>	10,900,000	11,782,655
<b>2013</b>	11,700,000	11,428,650
<b>2014 Adopted</b>	11,694,962	N/A
<b>2015 Proposed</b>	11,644,962	N/A

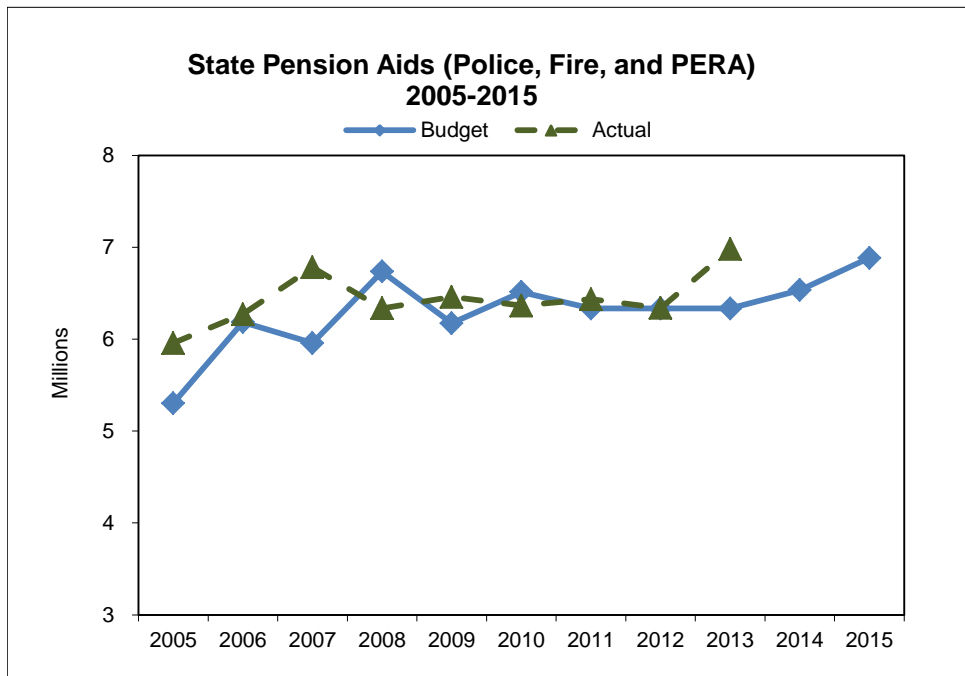
# State Pension Aids

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.

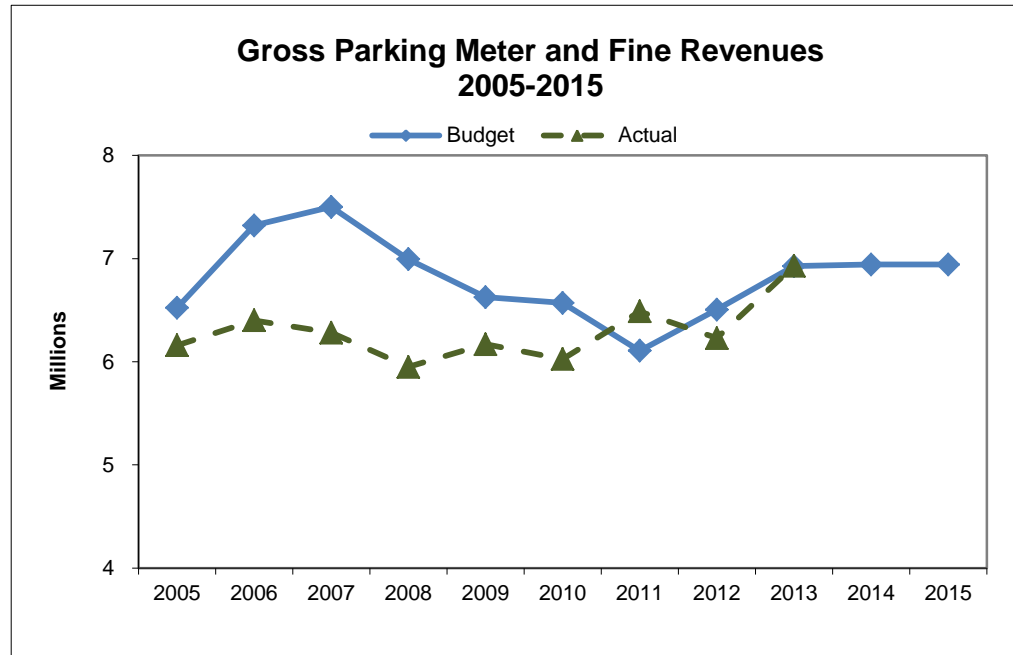
State aid is also given to support PERA, the pension fund that includes non-public safety City employees. The vast majority (91%) of state pension aid goes to support Police and Fire pensions. In 2015, pension aids are proposed to increase slightly to \$6.8 million.



	Budget	Actual
<b>2005</b>	5,303,198	5,957,264
<b>2006</b>	6,186,094	6,270,624
<b>2007</b>	5,957,264	6,780,409
<b>2008</b>	6,736,230	6,335,966
<b>2009</b>	6,172,731	6,459,128
<b>2010</b>	6,512,576	6,364,824
<b>2011</b>	6,333,132	6,433,722
<b>2012</b>	6,333,132	6,338,457
<b>2013</b>	6,333,132	6,982,099
<b>2014 Adopted</b>	6,533,134	N/A
<b>2015 Proposed</b>	6,883,134	N/A

# Parking Meters and Fines

Parking meters and fine 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 1/3rd of the revenue to cover costs, and the remainder is transferred to the City.



	Budget	Actual
<b>2005</b>	6,521,985	6,159,045
<b>2006</b>	7,320,747	6,401,298
<b>2007</b>	7,501,542	6,281,951
<b>2008</b>	6,993,276	5,950,394
<b>2009</b>	6,625,705	6,169,521
<b>2010</b>	6,570,987	6,026,438
<b>2011</b>	6,106,783	6,488,799
<b>2012</b>	6,505,758	6,228,829
<b>2013</b>	6,926,580	6,928,761
<b>2014 Adopted</b>	6,943,080	N/A
<b>2015 Proposed</b>	6,943,080	N/A

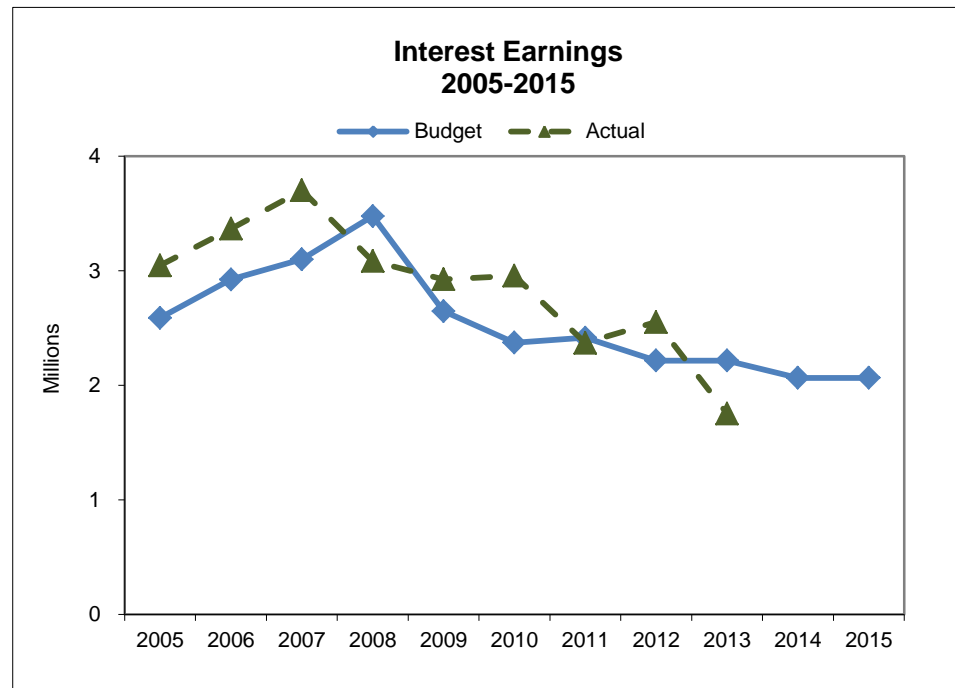


# Interest Earnings

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.

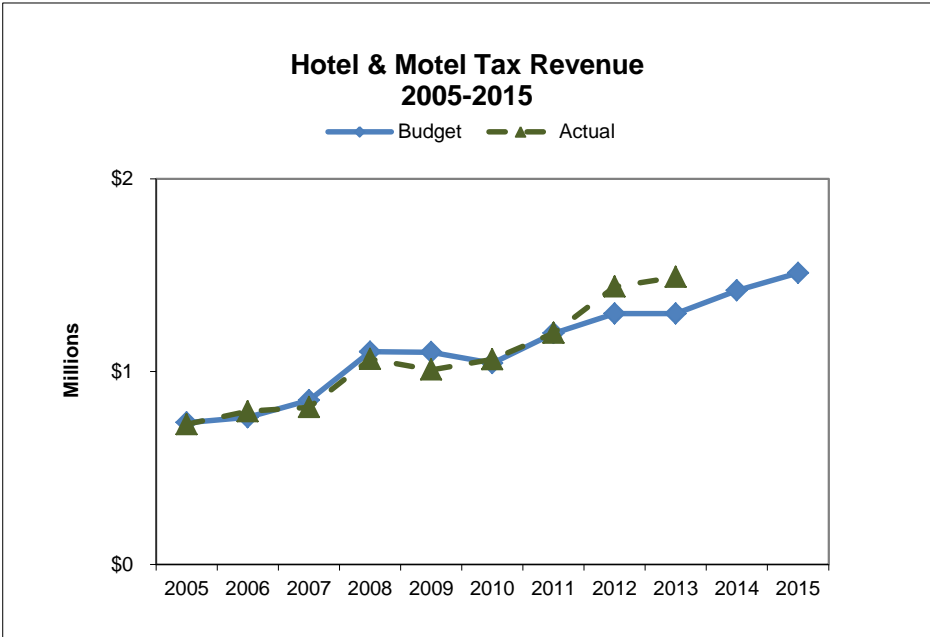
	Budget	Actual
<b>2005</b>	2,587,865	3,046,535
<b>2006</b>	2,923,500	3,366,431
<b>2007</b>	3,100,000	3,700,995
<b>2008</b>	3,477,000	3,083,717
<b>2009</b>	2,646,534	2,924,892
<b>2010</b>	2,371,534	2,955,923
<b>2011</b>	2,415,034	2,370,093
<b>2012</b>	2,215,034	2,552,191
<b>2013</b>	2,215,034	1,752,840
<b>2014 Adopted</b>	2,065,034	N/A
<b>2015 Proposed</b>	2,065,034	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 2015, Hotel & Motel Taxes are budgeted to increase by an additional \$90,500.



	Budget	Actual
<b>2005</b>	734,900	726,526
<b>2006</b>	762,760	794,072
<b>2007</b>	850,700	815,041
<b>2008</b>	1,102,760	1,065,381
<b>2009</b>	1,100,000	1,009,590
<b>2010</b>	1,043,400	1,062,720
<b>2011</b>	1,198,400	1,199,831
<b>*2012</b>	1,300,900	1,440,985
<b>2013</b>	1,300,900	1,490,362
<b>2014 Adopted</b>	1,420,900	N/A
<b>2015 Proposed</b>	1,511,400	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.