

Major City General Fund Revenues

Property Taxes

Property tax revenues account for about 36% 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 2016	\$19,383,709,400
Payable in 2017	\$20,934,972,700
Payable in 2018 (est.)	\$23,178,355,600

Saint Paul Tax Capacity	
Payable in 2016	\$239,055,061
Payable in 2017	\$258,127,364
Payable in 2018 (est.)	\$287,724,330

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 2018</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

2018 Proposed Budget and Levy

The 2018 proposed City levy is \$141,273,820 which is an increase of 23.9% from 2017. Of the proposed levy, \$140 million will fund city activities. \$107.3 million will go to the City's general fund, \$14 million for debt service, and \$18 million will fund the Saint Paul Public Library Agency. The City also levies taxes on behalf of the Saint Paul Port Authority, whose proposed 2018 levy is \$2 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 2017:

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 2017, a home with a taxable value of \$161,400 had a total property tax bill of \$2,239.

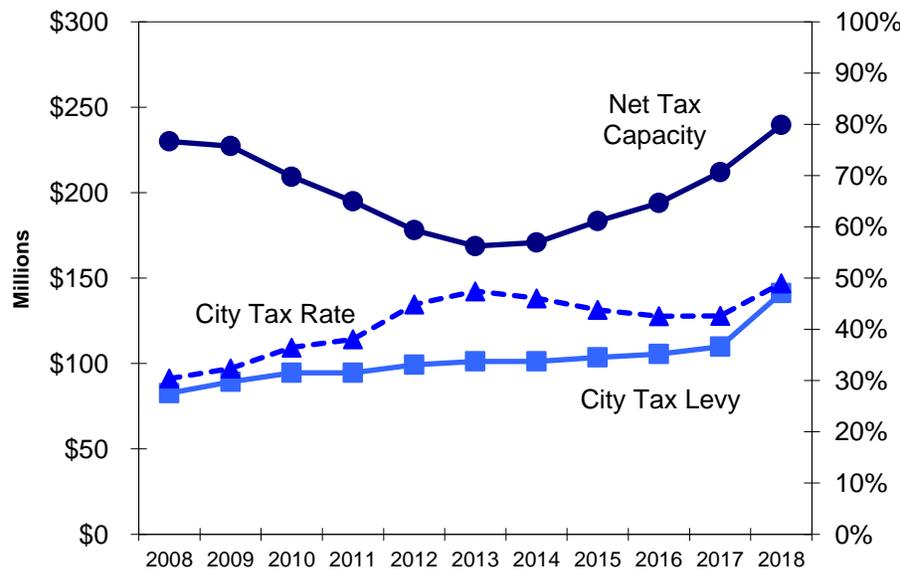
Approximately 26% of the total property tax payment for taxes payable in 2017 pays for City services – \$591 in this example.

For this particular home, the property tax payment of \$591 to the City would include the following amounts for key city services:

- \$171 per year for police services
- \$113 per year for fire and emergency medical services
- \$59 per year to operate and maintain the parks and recreation system
- \$33 per year to operate and buy materials for the Saint Paul Public Libraries
- \$74 per year for capital debt service—the cost of building new park and library facilities, playgrounds, and street construction

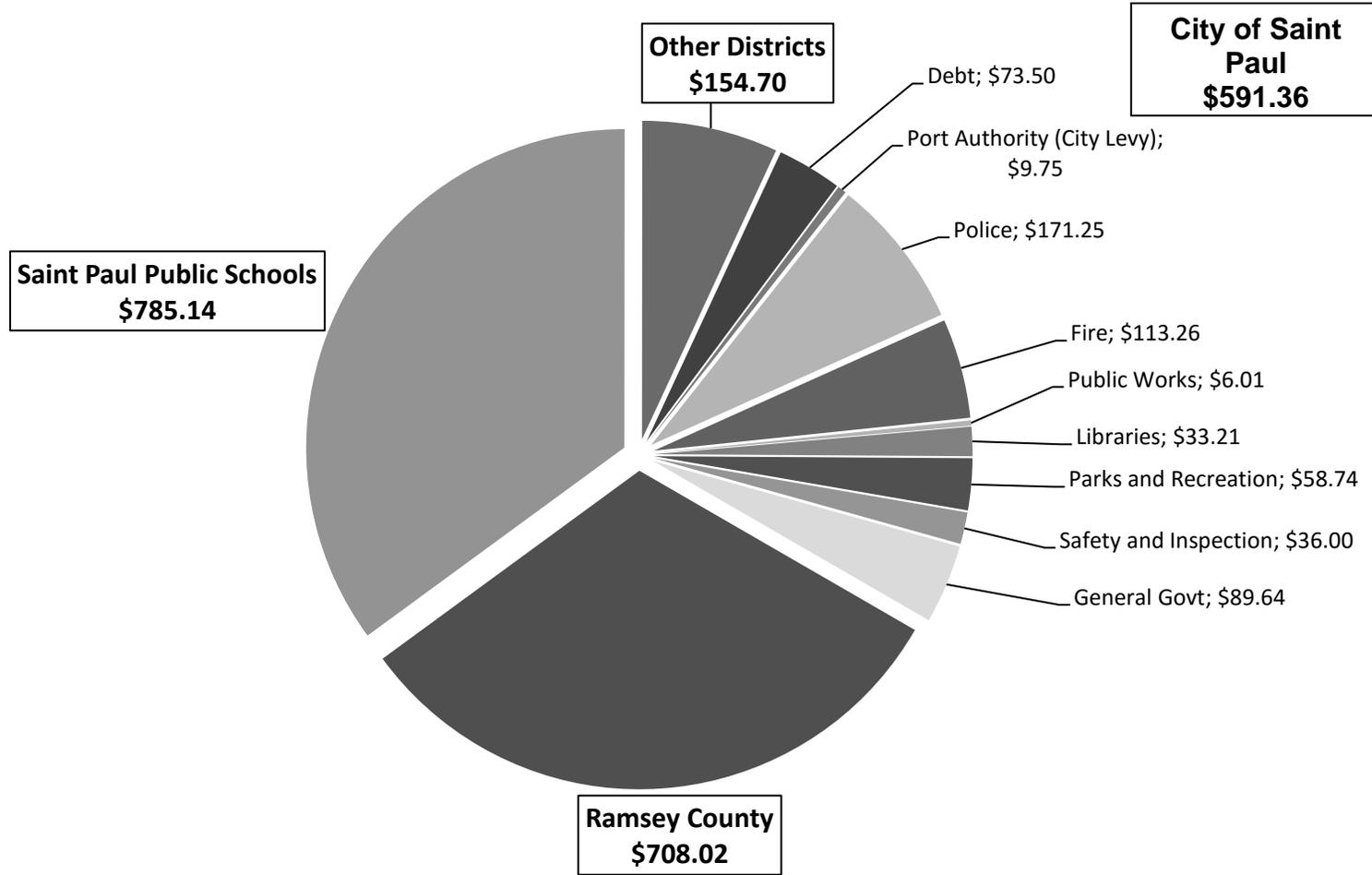
Property taxes cover only a small part of the total cost of services. In total, property taxes supply only about 16% of the City's total revenue and cover about 36% of the combined City and Library General Fund budgets. In comparison, the City's total proposed 2018 property tax levy for all City purposes—approximately \$141 million—is less than the combined Police and Fire department operating budgets of \$179 million.

City of Saint Paul Property Tax Levy, Tax Rates and Net Tax Capacity, 2008-2018



Estimated 2017 Saint Paul Property Taxes

2017 Final Tax Rates Applied to a Typical Home Valued at \$161,400

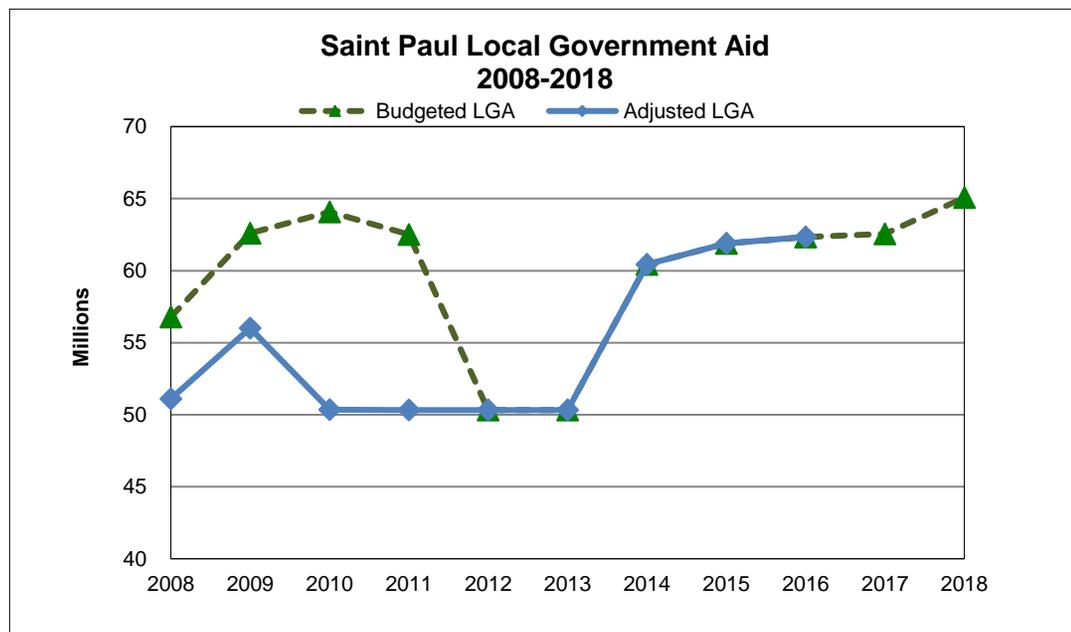


Local Government Aid (LGA)

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. Actual LGA received by the City remained flat for three consecutive years from 2011 to 2013. After a significant restoration in 2014 of \$10.1 million, LGA grew at or below the rate of inflation through 2017. The 2018 proposed budget includes a \$2.5 million increase in LGA, based on the omnibus tax bill approved by the governor and legislature at the end of the 2017 legislative session.

Saint Paul Local Government Aid 2008-2018		
	LGA Funding	Change
2008	59,961,201	
2008*	59,961,201	0.0%
2009	56,781,644	-5.3%
2009*	51,092,991	-10.0%
2010	62,600,018	22.5%
2010**	56,013,366	-10.5%
2011	64,079,116	14.4%
2011*	50,345,488	-21.4%
2012	50,345,488	0.0%
2013	62,505,032	24.2%
2014	50,320,488	-19.5%
2015	60,422,253	20.1%
2016	61,887,988	2.4%
2017	62,562,185	1.1%
2018	65,071,602	4.0%



*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

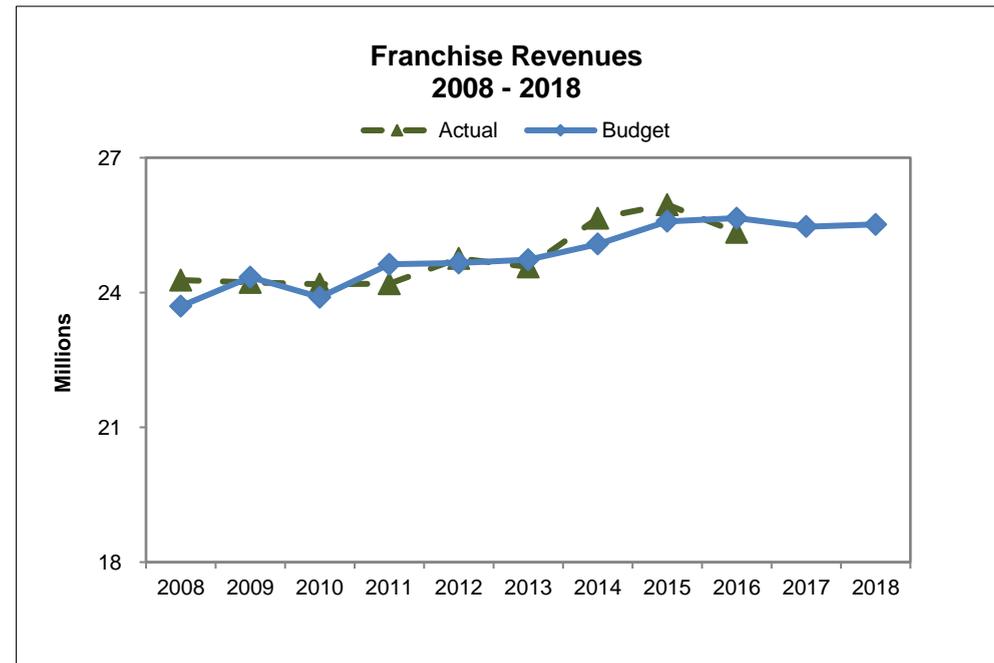
Utilities pay the City of Saint Paul a fee for use of City streets and right-of-ways in delivering services to the residents and businesses of Saint Paul. This fee represents usage charges for City-owned assets that utilities may use or disrupt in the process of constructing, installing, and maintaining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

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.

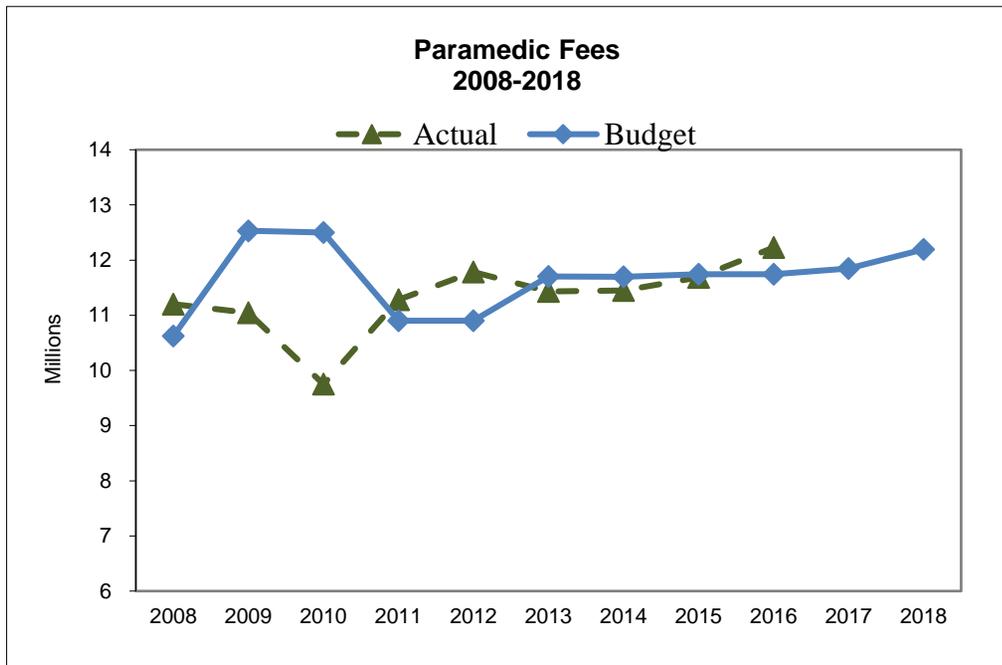
	Budget	Actual
2008	23,695,500	24,274,128
2009	24,342,799	24,224,292
2010	23,893,730	24,184,937
2011	24,629,518	24,195,778
2012	24,654,518	24,758,457
2013	24,729,518	24,568,433
2014	25,079,518	25,654,850
2015	25,584,650	25,957,526
2016	25,656,218	25,341,386
2017 Adopted	25,466,879	N/A
2018 Proposed	25,516,879	N/A



Paramedic Fees

The Saint Paul Fire Department’s paramedics and emergency medical technicians respond to over 30,000 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.



	Budget	Actual
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
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 Adopted	11,844,962	N/A
2018 Proposed	12,194,962	N/A

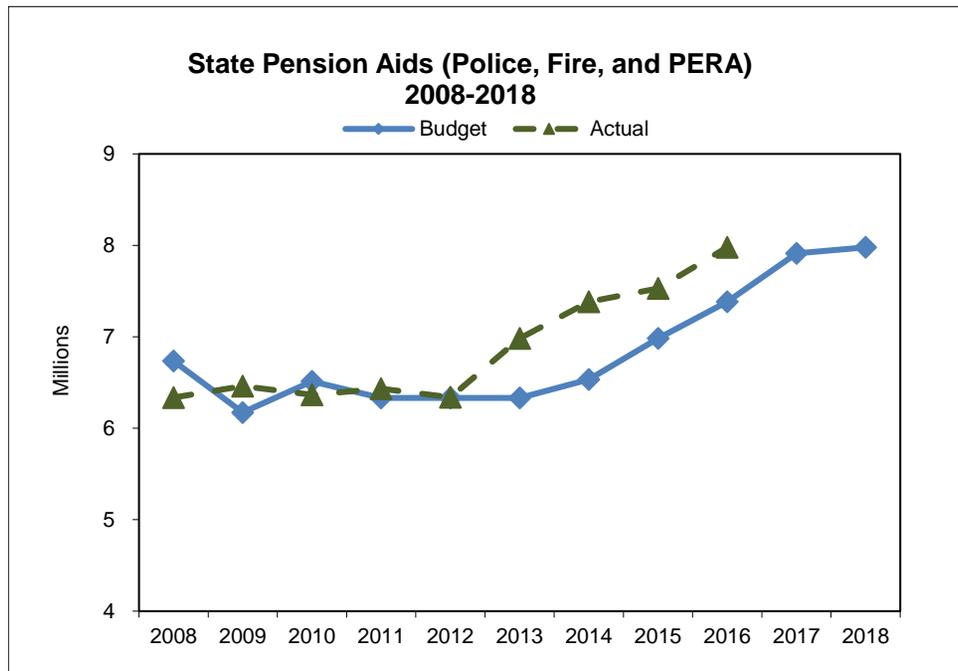
State Pension Aids

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. 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.

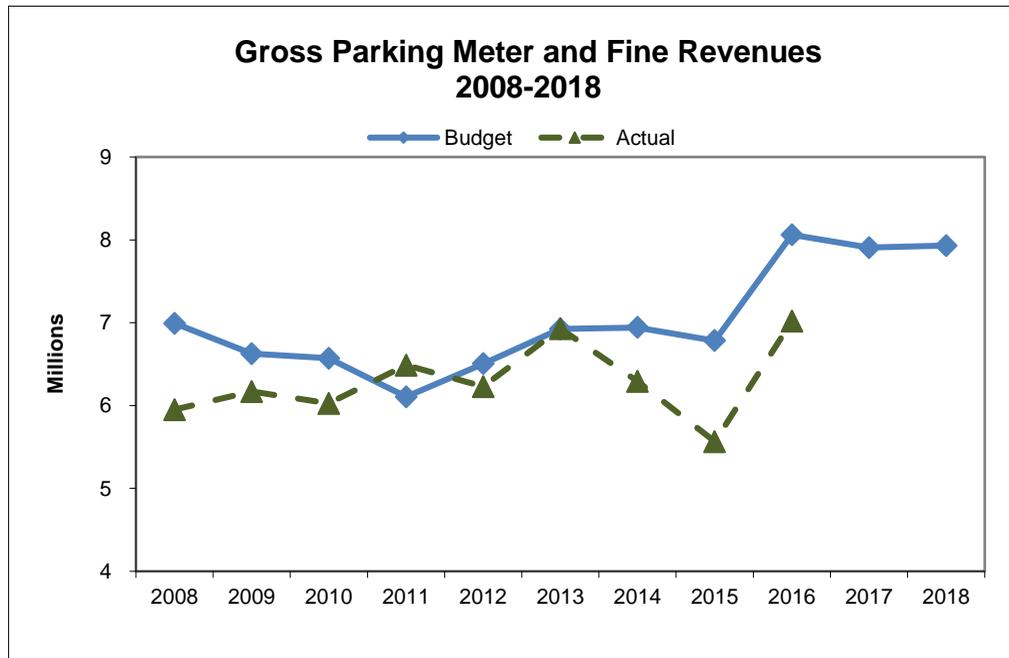
State aid is also given to support PERA, the pension fund that includes non-public safety City employees. In 2018, pension aids are expected to increase to \$7.98 million.



	Budget	Actual
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
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 Adopted	7,912,706	N/A
2018 Proposed	7,978,237	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. 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. In 2014 the State of Minnesota changed the way Continuance for Dismissals operated causing fewer people to chose using it as an option leading to a reduction in revenue. Fiscal year 2018 is expected to continue to have increased parking meter revenue due to the expansion of the parking meter system and an increase in meter rates.



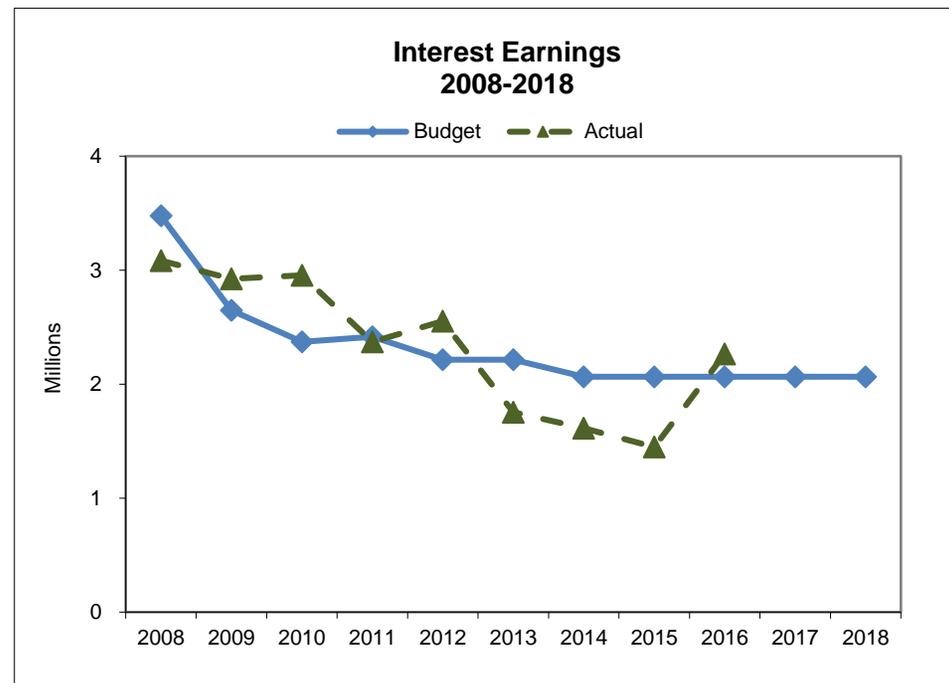
	Budget	Actual
2008	6,993,276	5,950,394
2009	6,625,705	6,169,521
2010	6,570,987	6,026,438
2011	6,106,783	6,488,799
2012	6,505,758	6,228,829
2013	6,926,580	6,928,761
2014	6,943,080	6,293,814
2015	6,783,810	5,565,342
2016	8,061,794	7,019,173
2017 Adopted	7,907,809	N/A
2018 Proposed	7,930,496	N/A

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.

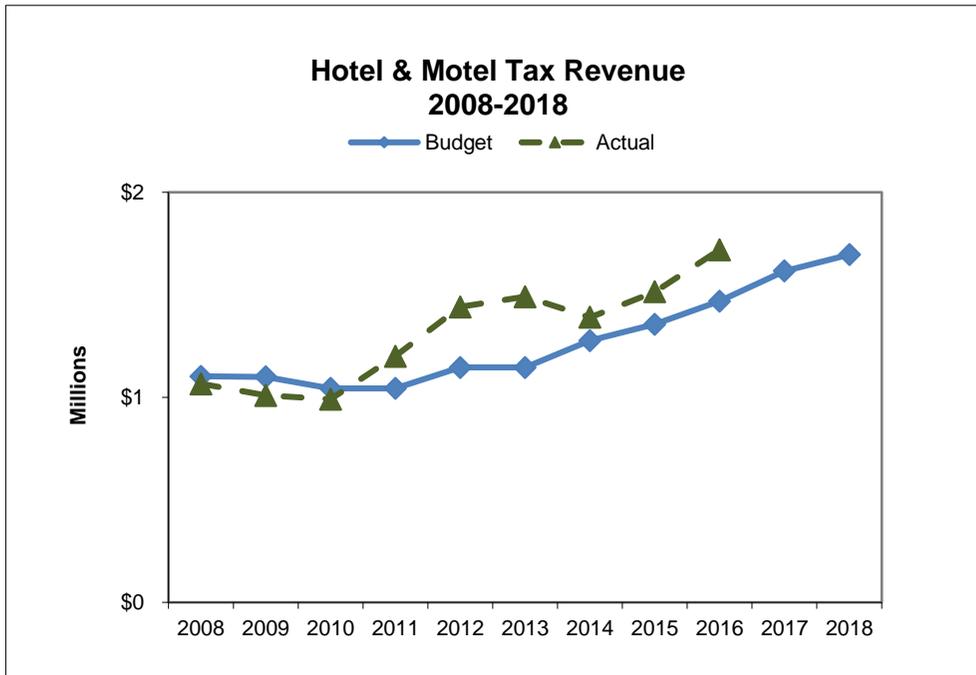
	Budget	Actual
2008	3,477,000	3,083,717
2009	2,646,534	2,924,892
2010	2,371,534	2,955,923
2011	2,415,034	2,370,093
2012	2,215,034	2,552,191
2013	2,215,034	1,752,840
2014	2,065,034	1,614,972
2015	2,065,034	1,448,131
2016	2,065,034	2,264,481
2017 Adopted	2,065,034	N/A
2018 Proposed	2,065,034	N/A



Hotel & Motel Tax

The City charges a 6% tax on all room charges in Saint 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. In 2018, Hotel & Motel Tax revenue in the General Fund is expected to increase by \$80,000.



	Budget	Actual
2008	1,102,760	1,065,381
2009	1,100,000	1,009,590
2010	1,043,400	990,702
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 Adopted	1,615,800	N/A
2018 Proposed	1,695,800	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.