

Major City General Fund Revenues

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 2015 | \$18,505,760,900 |
| Payable in 2016 | \$19,383,709,400 |
| Payable in 2017 (est.) | \$20,915,970,100 |

| St. Paul Tax Capacity | |
|------------------------|---------------|
| Payable in 2015 | \$228,673,698 |
| Payable in 2016 | \$239,055,061 |
| Payable in 2017 (est.) | \$257,785,769 |

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 2017</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

2017 Proposed Budget and Levy

The 2017 proposed City levy is \$109,830,180 which is an increase of 4.0% from 2016. Of the proposed levy, \$108 million will fund city activities. \$76.7 million will go to the City's general fund, \$13.7 million for debt service, and \$17.6 million will fund the St. Paul Public Library Agency. The City also levies taxes on behalf of the St. Paul Port Authority, whose proposed 2017 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 2016:

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 2016, a home with a taxable value of \$151,500 had a total property tax bill of \$2,137.

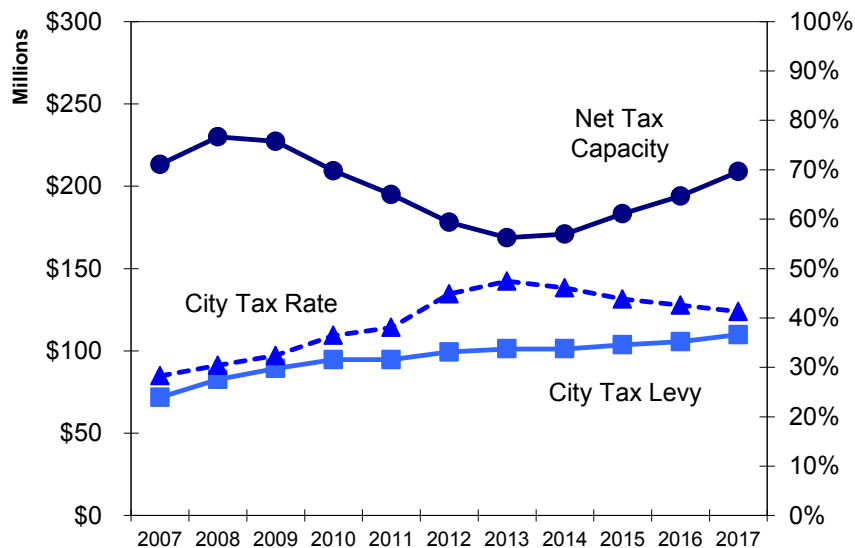
Approximately 26% of the total property tax payment for taxes payable in 2016 pays for City services – \$545 in this example.

For this particular home, the property tax payment of \$545 to the City would include the following amounts for key city services:

- \$161 per year for police services
- \$106 per year for fire and emergency medical services
- \$53 per year to operate and maintain the parks and recreation system
- \$31 per year to operate and buy materials for the Saint Paul Public Libraries
- \$64 per year for capital debt service—the cost of building new park and library facilities, playgrounds, and street construction

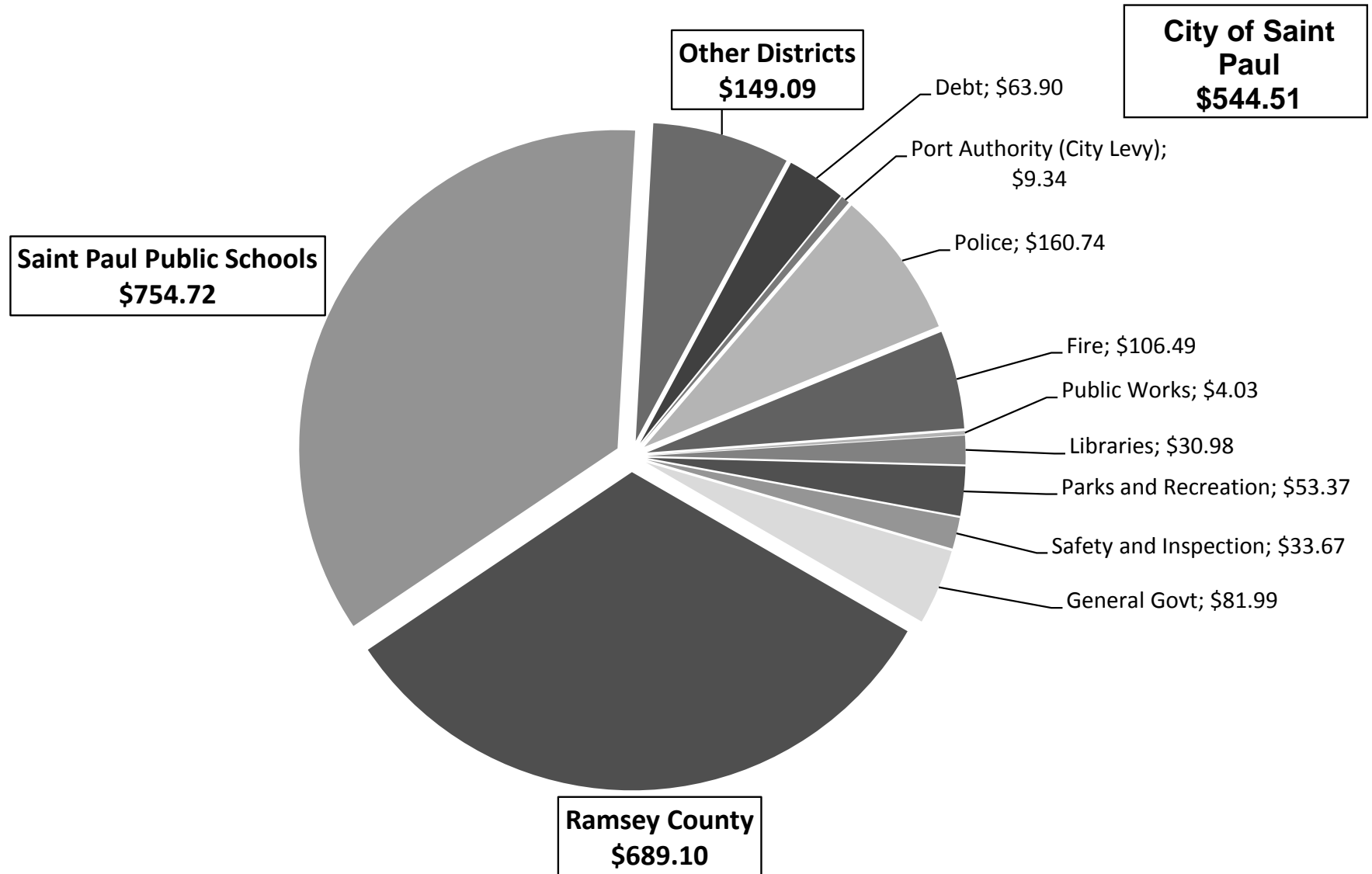
Property taxes cover only a small part of the total cost of services. In total, property taxes supply only about 16% of the City's total revenue and cover about 35% of the combined City and Library General Fund budgets. In comparison, the City's total proposed 2017 property tax levy for all city purposes—approximately \$109.8 million—is slightly above the \$108.3 million operating budget of the Police Department.

City of St. Paul Property Tax Levy, Tax Rates and Net Tax Capacity, 2007-2017



Estimated 2016 Saint Paul Property Taxes

2016 Final Tax Rates Applied to a Typical Home Valued at \$151,500

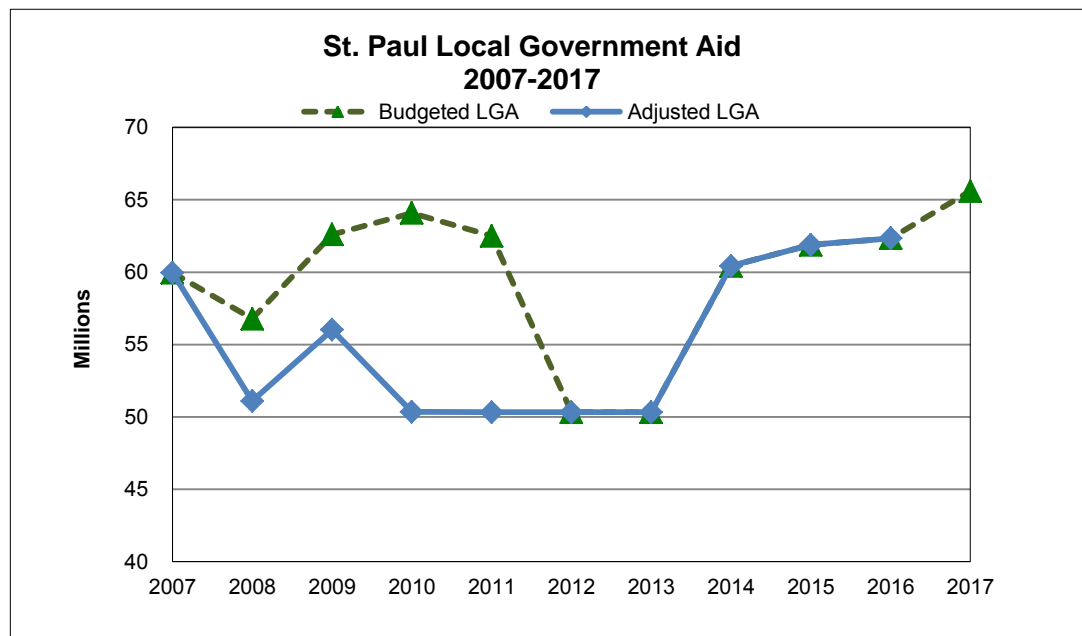


Local Government Aid (LGA)

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 grew annually indexed to inflation. 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 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 in 2015 and 2016. The 2017 proposed budget assumes that the inflationary LGA increase that was included in the omnibus tax bill approved by the legislature at the end of the 2016 legislative session will be passed in a special session later this year. The projected increase for 2017 is over \$3 million for St. Paul. If this legislation is not approved in a special session, the budget will need to be adjusted by \$3 million prior to final budget adoption.

| St. Paul Local Government Aid 2007-2017 | | |
|--|-------------|--------|
| | LGA Funding | Change |
| 2007 | 59,961,201 | |
| 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% |
| 2014 | 60,422,253 | 20.1% |
| 2015 | 61,887,988 | 2.4% |
| 2016 | 62,337,589 | 0.7% |
| 2017 | 65,604,056 | 5.2% |



*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

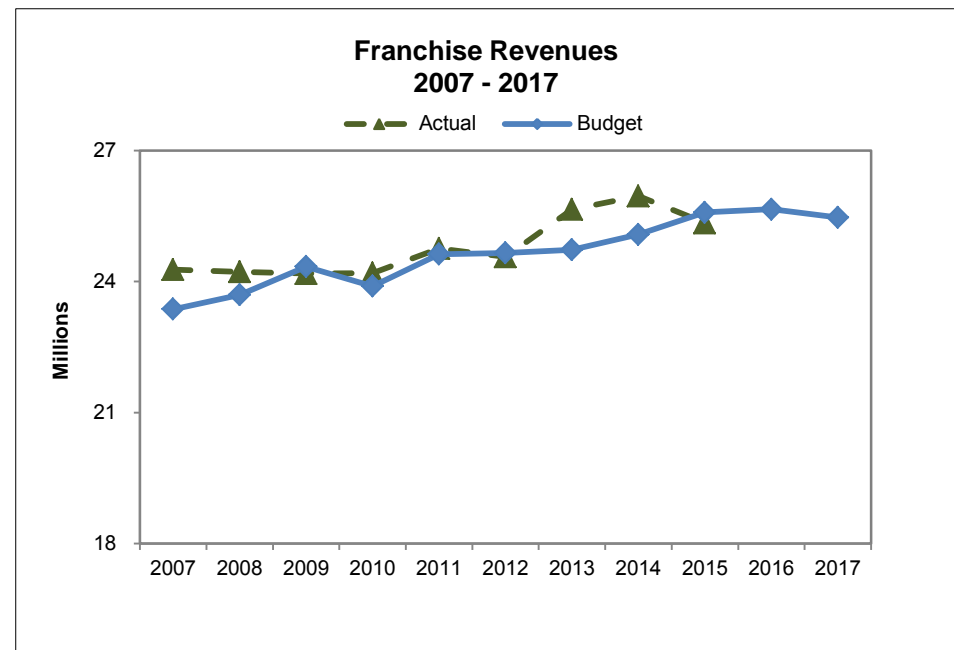
Utilities pay the City of St. Paul a fee for use of City streets and right-of-ways in delivering services to the residents and businesses of St. Paul. This fee represents usage charges for City-owned assets that utilities may use or disrupt in the process of constructing, installing, and maintaining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

- **Xcel Energy** supplies natural gas and electrical service to St. Paul homes and businesses.
- **Comcast and Century Link** provide 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.

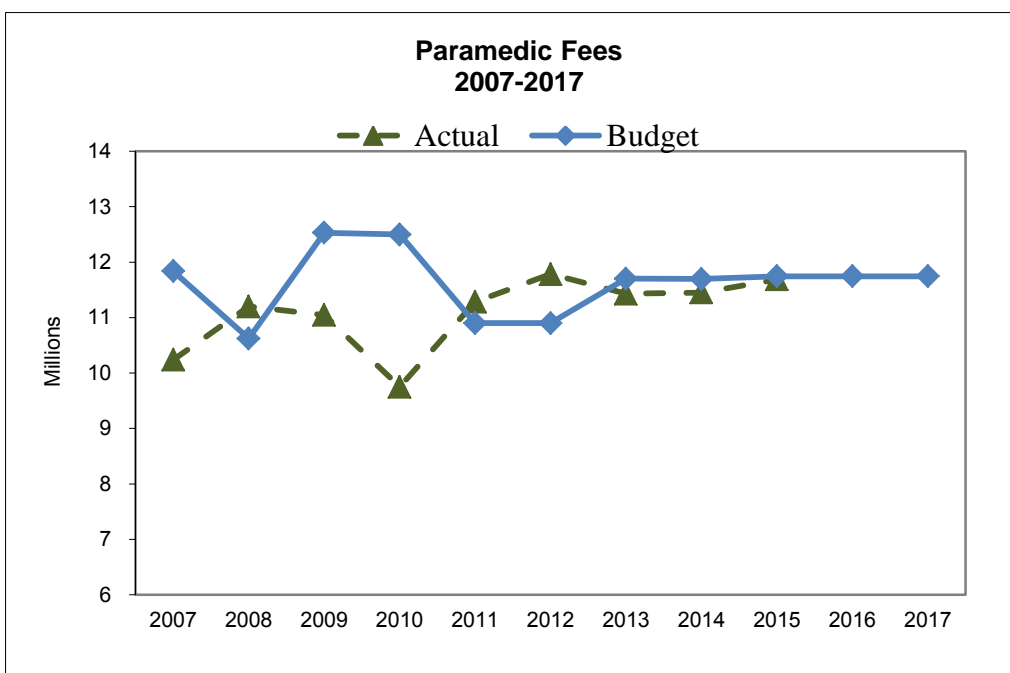
| | Budget | Actual |
|----------------------|------------|------------|
| 2007 | 23,368,043 | 24,274,128 |
| 2008 | 23,695,500 | 24,224,292 |
| 2009 | 24,342,799 | 24,184,937 |
| 2010 | 23,893,730 | 24,195,778 |
| 2011 | 24,629,518 | 24,758,457 |
| 2012 | 24,654,518 | 24,568,433 |
| 2013 | 24,729,518 | 25,654,850 |
| 2014 | 25,079,518 | 25,957,526 |
| 2015 | 25,584,650 | 25,341,386 |
| 2016 Adopted | 25,656,218 | N/A |
| 2017 Proposed | 25,466,879 | N/A |



Paramedic Fees

The St. Paul Fire Department's paramedics and emergency medical technicians respond to nearly 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 |
|---------------|------------|------------|
| 2007 | 11,835,896 | 10,236,954 |
| 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 Adopted | 11,744,962 | N/A |
| 2017 Proposed | 11,744,962 | N/A |

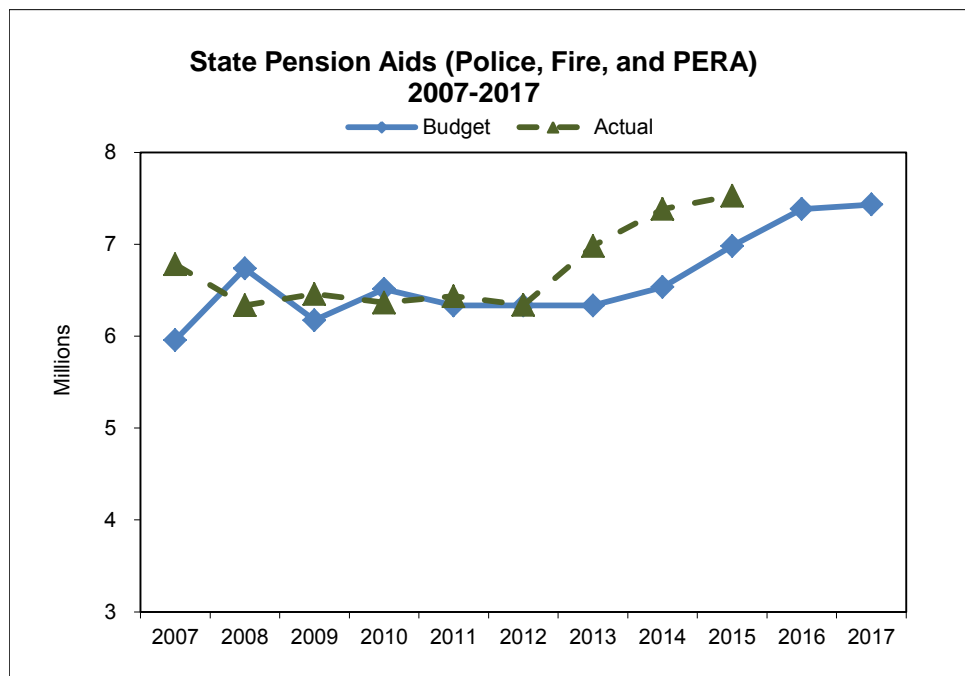
State Pension Aids

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.

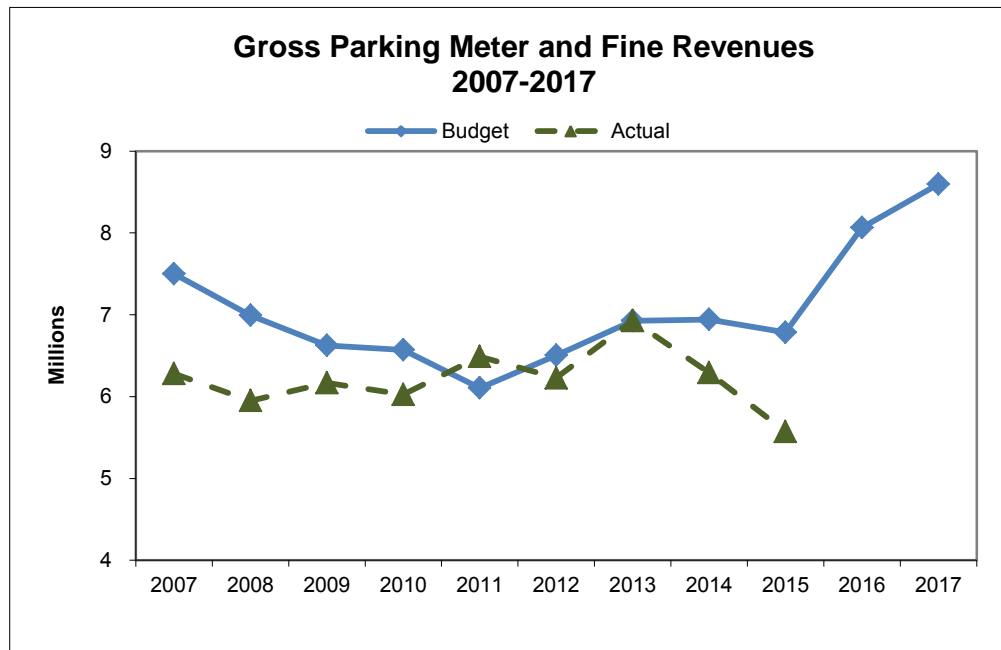
State aid is also given to support PERA, the pension fund that includes non-public safety City employees. In 2017, pension aids are expected to increase to \$7.43 million.



| | Budget | Actual |
|---------------|-----------|-----------|
| 2007 | 5,957,264 | 6,780,409 |
| 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 Adopted | 7,382,706 | N/A |
| 2017 Proposed | 7,432,706 | 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 1,400 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. In 2014 the State of Minnesota changed the way Continuance for Dismissals operated causing fewer people to choose using it as an option leading to a reduction in revenue. Fiscal year 2017 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.



*The 2016 Adopted budget and 2017 Proposed budget increases are due to parking meter rate changes and expansion of the downtown parking meter system.

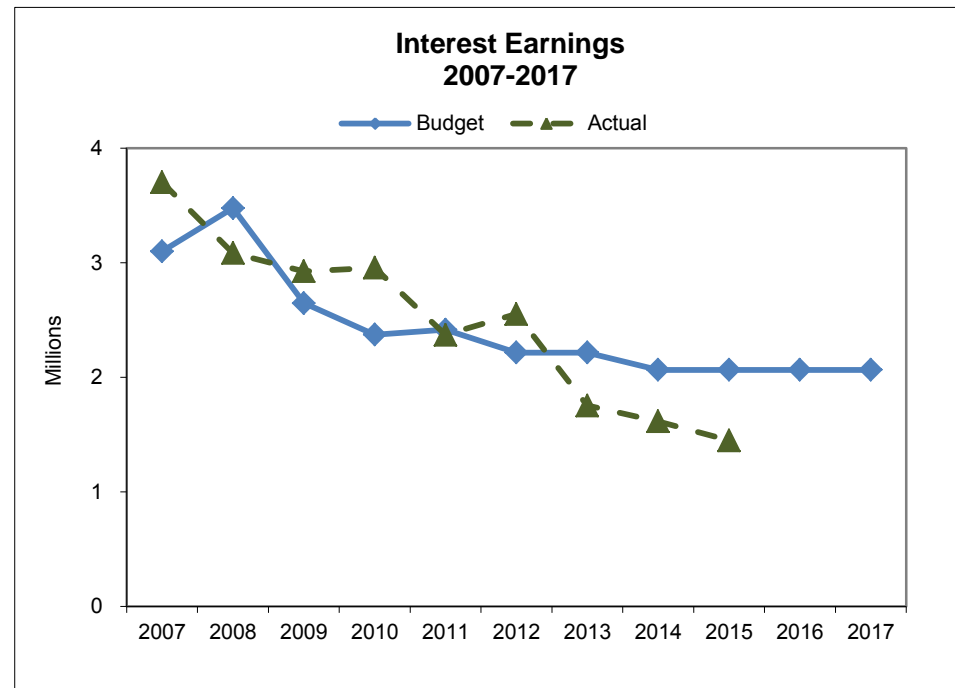
| | Budget | Actual |
|----------------|-----------|-----------|
| 2007 | 7,501,542 | 6,281,951 |
| 2008 | 6,993,276 | 5,950,394 |
| 2009 | 6,625,705 | 6,169,521 |
| 2010 | 6,570,987 | 6,026,438 |
| 2011 | 6,106,783 | 6,488,799 |
| 2012 | 6,505,758 | 6,228,829 |
| 2013 | 6,926,580 | 6,928,761 |
| 2014 | 6,943,080 | 6,293,814 |
| 2015 | 6,783,810 | 5,574,549 |
| 2016 Adopted* | 8,064,294 | N/A |
| 2017 Proposed* | 8,597,809 | 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.

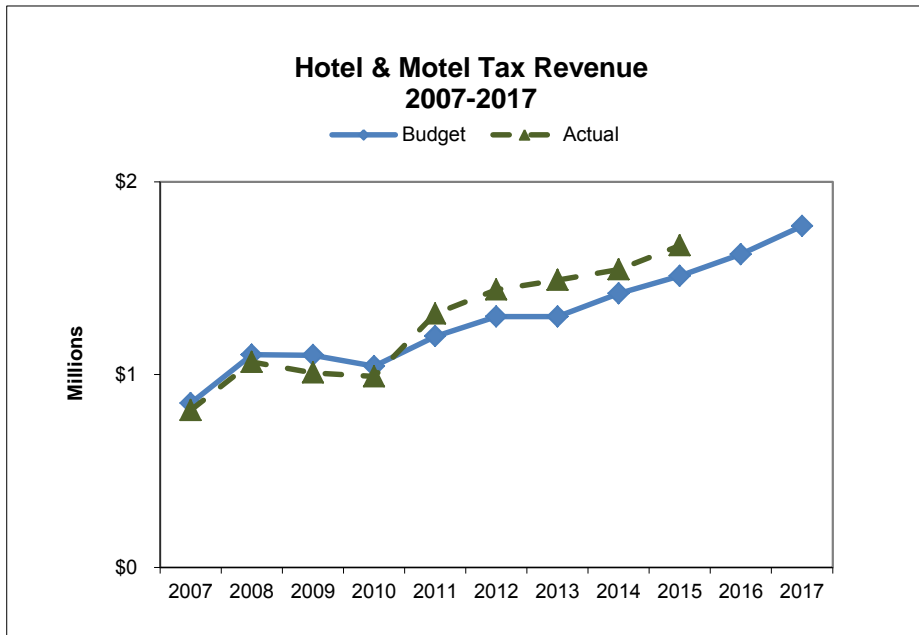
| | Budget | Actual |
|---------------|-----------|-----------|
| 2007 | 3,100,000 | 3,700,995 |
| 2008 | 3,477,000 | 3,083,717 |
| 2009 | 2,646,534 | 2,924,892 |
| 2010 | 2,371,534 | 2,955,923 |
| 2011 | 2,415,034 | 2,370,093 |
| 2012 | 2,215,034 | 2,552,191 |
| 2013 | 2,215,034 | 1,752,840 |
| 2014 | 2,065,034 | 1,614,972 |
| 2015 | 2,065,034 | 1,448,131 |
| 2016 Adopted | 2,065,034 | N/A |
| 2017 Proposed | 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 2017, Hotel & Motel Taxes are budgeted to increase by \$146,790.



| | Budget | Actual |
|---------------|-----------|-----------|
| 2007 | 850,700 | 815,041 |
| 2008 | 1,102,760 | 1,065,381 |
| 2009 | 1,100,000 | 1,009,590 |
| 2010 | 1,043,400 | 990,702 |
| 2011 | 1,198,400 | 1,316,321 |
| *2012 | 1,300,900 | 1,440,985 |
| 2013 | 1,300,900 | 1,490,362 |
| 2014 | 1,420,900 | 1,545,077 |
| 2015 | 1,511,400 | 1,669,832 |
| 2016 Adopted | 1,624,010 | N/A |
| 2017 Proposed | 1,770,800 | 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.