

Major General Fund Revenues

Property Taxes

Property tax revenues account for 31% of general fund revenue. 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 tax is 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.

Minnesota Property Tax Class Rates <i>Payable in 2011</i>	
Property Type	Class Rate
Residential Homestead	
Up to \$500,000	1.00%
Over \$500,000	1.25%
Residential Non-Homestead	
Single Unit	
Up to \$500,000	1.00%
Over \$500,000	1.25%
2-3 Unit	1.25%
Apartments (4 or more units)	1.25%
Commercial/Industrial	
Up to \$150,000	1.50%
Over \$150,000	2.00%

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 sets 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.

St. Paul Taxable Market Value	
Payable in 2009	\$22,776,772,200
Payable in 2010	\$21,482,001,200
Payable in 2011 (proj.)	\$20,107,211,200

St. Paul Net Tax Capacity	
Payable in 2009	\$ 279,536,007
Payable in 2010	\$ 265,145,261
Payable in 2011 (est.)	\$ 248,182,049

Property Taxes

2011 Proposed Budget and Levy

The 2011 proposed City levy is \$94.6 million, which is unchanged from 2010. Of the proposed levy, \$92.5 million will fund city activities. \$65.1 million will go to the City's general fund, \$9.8 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 2011 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 2010:

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 2009, a home with a taxable value of \$168,100 had a total property tax bill of \$2,045.

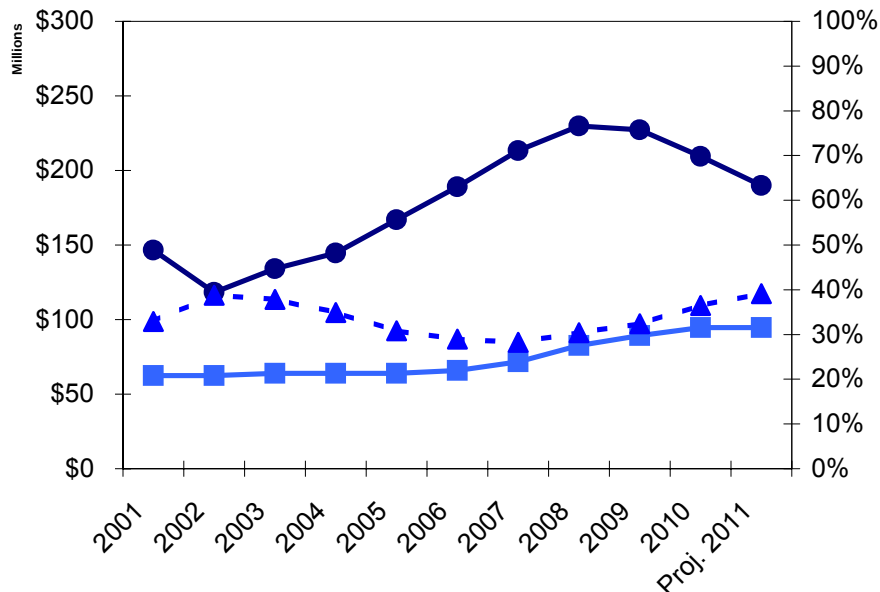
Of the total property tax bill, the single largest share goes to the county and then to the school district. The City receives about 27% of the total tax payment – \$529 in this example.

For this particular home, the property tax payment of \$529 to the City of St. Paul would break down to the following amounts:

- \$155 per year for police services
- \$108 per year for fire and emergency medical services
- \$52 per year to operate and maintain the park and recreation system
- \$33 per year to operate and buy materials for the Saint Paul Public Libraries
- \$56 per year for capital debt service—the cost of building new libraries, recreation centers and playgrounds, and street construction

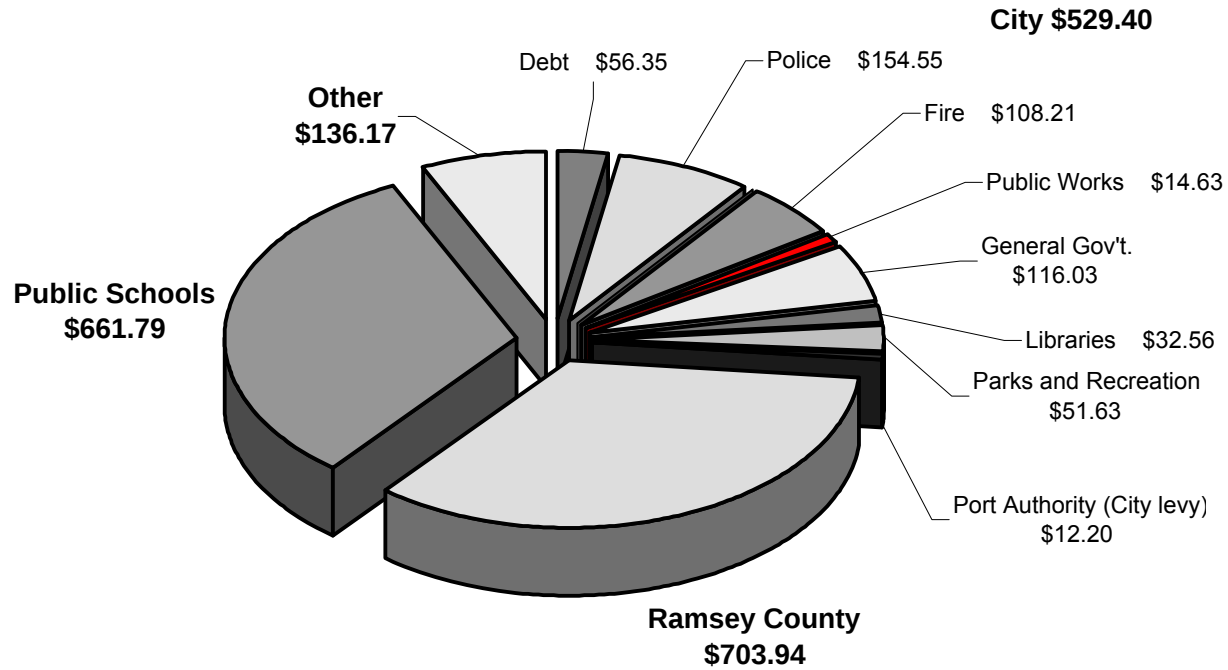
Property taxes cover only a small part of the total cost of services. In total, property taxes supply only about 13% of the City's total revenue and cover about 33% of the general fund budget. In comparison, the City's total proposed 2011 property tax levy for all purposes—approximately \$94.6 million—is less than the \$97 million proposed total operating budget of the Police Department.

City of St. Paul Property Tax Levy, Tax Rates and Net Tax Capacity, 2001-2011



Estimated 2010 Saint Paul Property Taxes

2010 Final Tax Rates Applied to a Typical Home Valued at \$168,100



City of Saint Paul	26.7%
Ramsey County	34.0%
Saint Paul Schools	32.4%
Other	6.9%
	100.0%

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.

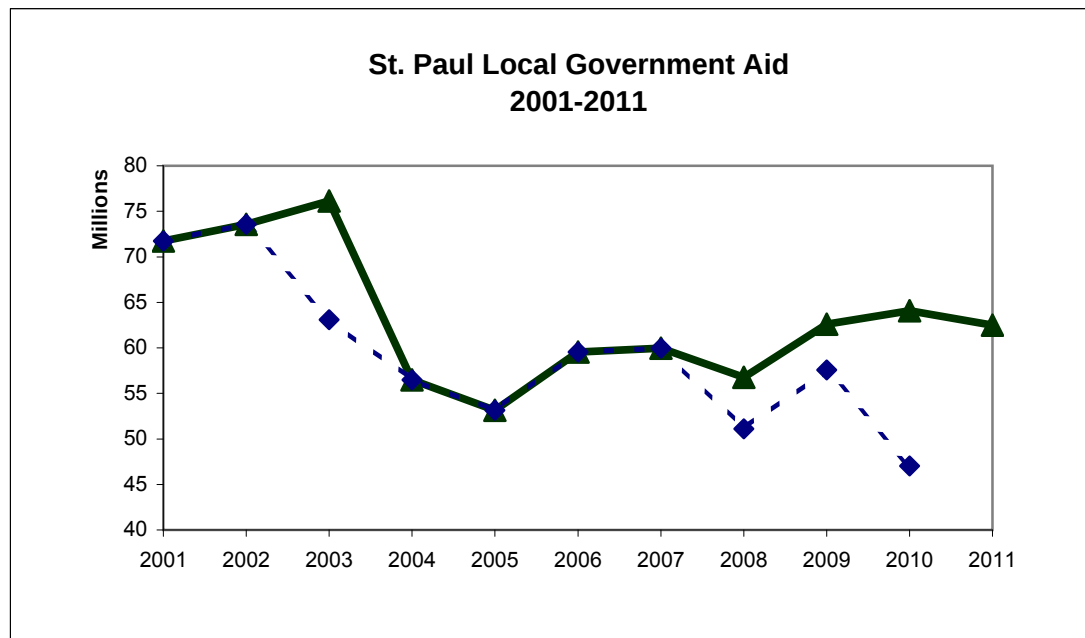
For many years, LGA was adjusted annually based on inflationary growth. In 2003, the Governor and Legislature approved changes to the funding formula and levels that greatly reduced St. Paul’s LGA. Additionally, the Legislature enacted a mid-year LGA adjustment in 2003 to address the state budget shortfall that year. This adjustment reduced St. Paul’s previously certified LGA funding by \$13 million.

The State raised the 2009 LGA appropriation for the first time since 2006, which increased Saint Paul’s share by \$5.8 million. However, the governor unallotted LGA at the end of 2008 as part of measures taken to fix the state’s budget deficit. Further unallotments were made to LGA in 2009 and 2010 to resolve the state’s budget shortfall. Saint Paul’s certified LGA for 2011 is near the level originally appropriated in 2009.

St. Paul Local Government Aid 2001-2011		
	LGA Funding	Change
2001	71,739,170	
2002	73,554,056	2.5%
2003	76,129,865	3.5%
2003*	63,082,166	-14.2%
2004	56,488,168	-10.5%
2005	53,151,835	-5.9%
2006	59,544,561	12.0%
2007	59,961,201	0.7%
2008	56,781,644	-5.3%
2008*	51,092,991	-10.0%
2009	62,600,018	22.5%
2009*	57,569,445	-8.0%
2010	64,079,116	11.3%
2010**	47,030,727	-26.6%
2011	62,505,032	32.9%

*Adjusted LGA revenues

**2010 adjusted LGA includes the reduction 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.

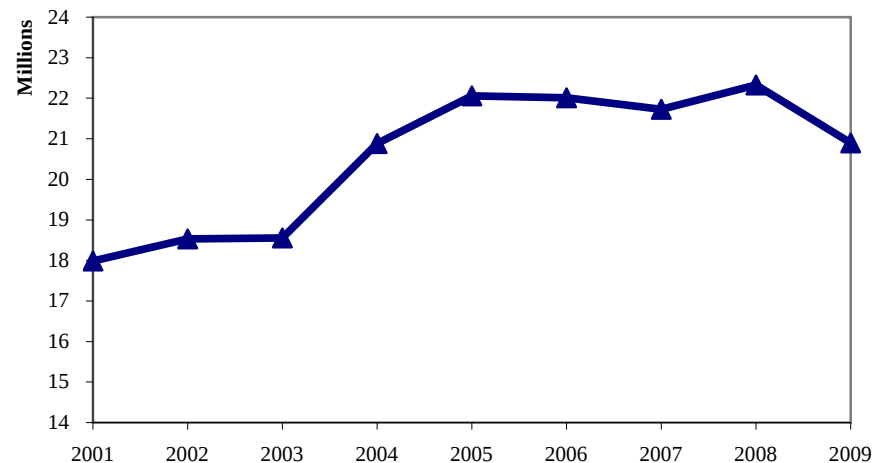
Under state law, utilities may pass on their fees to utility customers on monthly bills. For each utility, the franchise fee is based on a negotiated formula adopted by City Council ordinance. Most of this revenue goes to the General Fund, but some franchise revenue supports debt service or specific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

St. Paul Franchise Agreements for 2011:

- **Xcel Energy** supplies natural gas and electrical service 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.
- **Empire Builder** is the heating and cooling utility serving the Empire Builder development north of downtown St. Paul.

	Budget	Actual	
2000	16,426,045	17,576,898	107.0%
2001	16,426,045	17,983,410	109.5%
2002	17,516,184	18,529,769	105.8%
2003	17,516,184	18,553,748	105.9%
2004	17,730,603	20,881,609	117.8%
2005	17,840,511	22,056,079	123.6%
2006	18,179,867	22,009,484	121.1%
2007	21,377,323	21,728,237	101.6%
2008	22,251,500	22,324,518	100.3%
2009	22,757,526	20,899,438	91.8%
Adopted 2010	22,563,420	-	-
Proposed 2011	23,241,891	-	-

Franchise Revenues (General Fund), 2001 - 2011



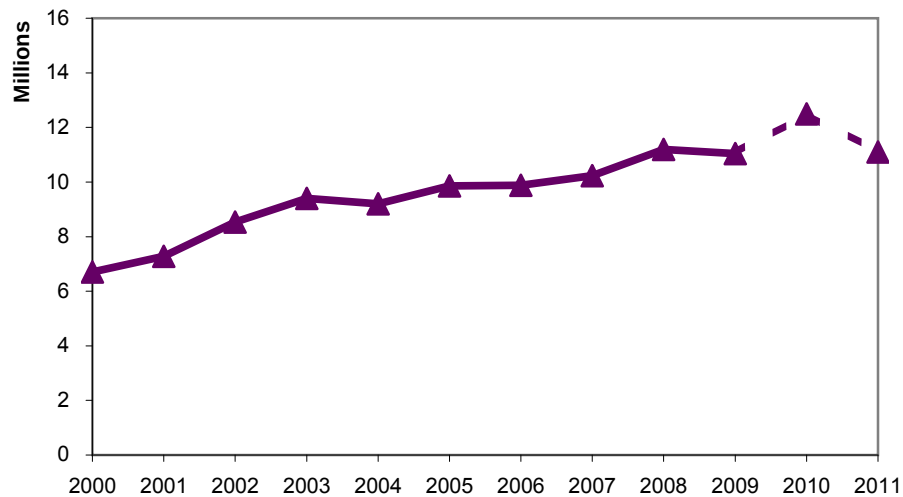
Paramedic Fees

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.

Paramedic Fees, 2000-2011



	Budget	Actual	
2000	6,400,000	6,700,541	104.7%
2001	6,540,000	7,274,858	111.2%
2002	7,339,000	8,530,288	116.2%
2003	9,563,455	9,402,844	98.3%
2004	9,926,767	9,200,000	92.7%
2005	10,655,407	9,856,956	92.5%
2006	10,200,000	9,876,413	96.8%
2007	11,835,896	10,236,954	86.5%
2008	10,641,856	11,199,523	105.2%
2009	12,530,936	11,045,682	88.1%
Adopted 2010	12,498,551	-	-
Proposed 2011	11,100,000	-	-

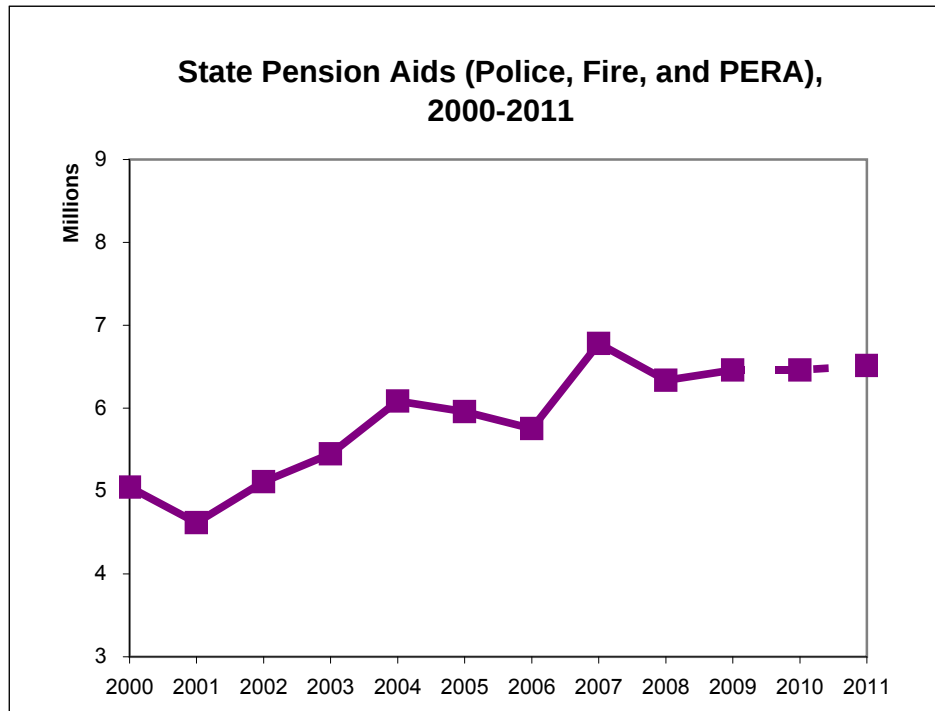
State Pension Aids

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 2010, pension aids are budgeted to remain stable at \$6.74 million.

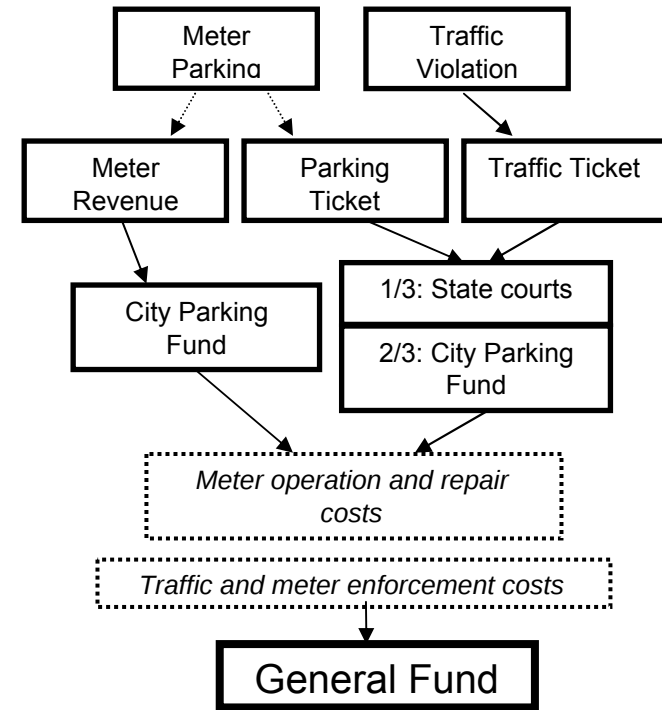


	Budget	Actual	
2000	4,717,512	5,044,659	106.9%
2001	4,945,633	4,618,796	93.4%
2002	5,170,633	5,111,382	98.9%
2003	5,020,472	5,447,696	108.5%
2004	5,017,512	6,086,374	121.3%
2005	5,303,198	5,957,264	112.3%
2006	6,186,094	5,753,112	93.0%
2007	5,957,264	6,780,409	113.8%
2008	6,736,230	6,335,966	94.1%
2009	6,250,691	6,459,128	103.3%
Adopted 2010	6,459,128	-	-
Proposed 2011	6,512,576	-	-

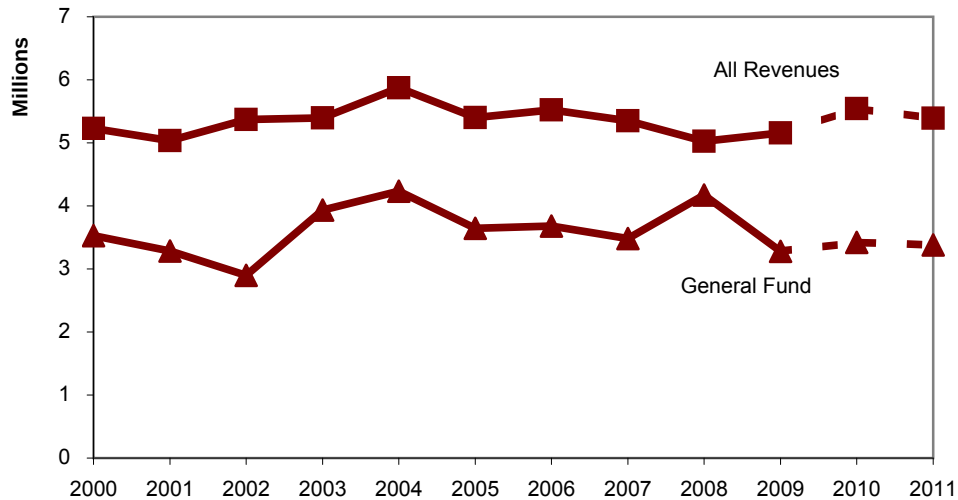
Parking Meters and Fines

The City operates over 1,000 parking meters 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 1/3 of the revenue to cover costs, and the remainder is transferred to the City.

Parking revenues are collected by the Department of Public Works, and a portion is retained to cover costs of meter collection and maintenance and police parking enforcement. The remainder is used as a General Fund resource. The flow chart at right illustrates the movement of revenues from collection to the General Fund.



Parking Meters and Violations, 2000-2011



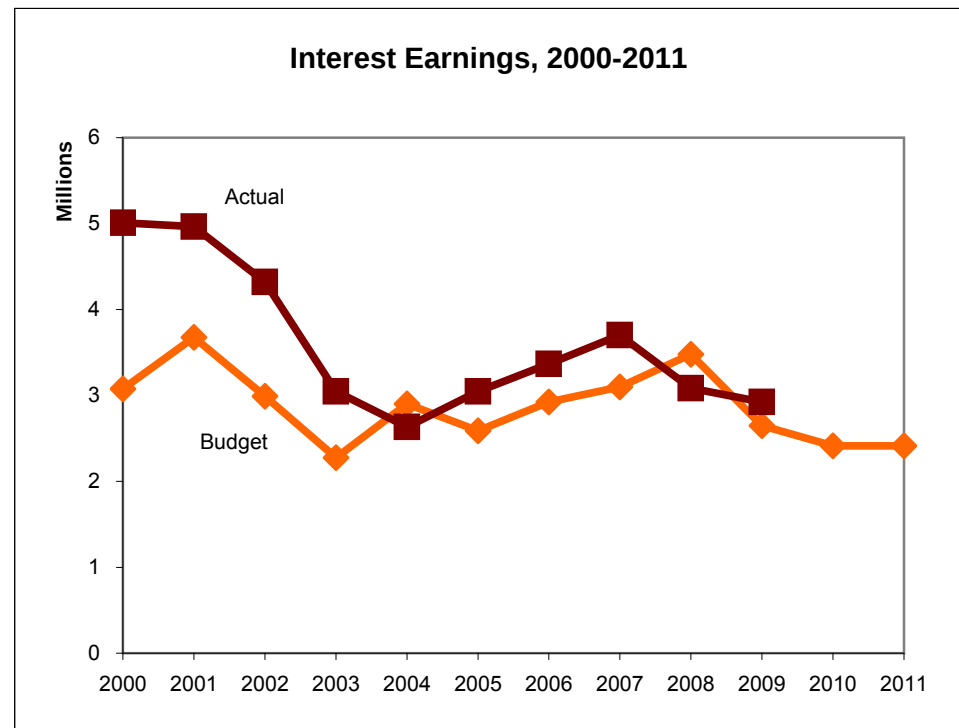
	Budget	Actual	
2000	3,179,076	3,530,274	111.0%
2001	3,869,950	3,282,280	84.8%
2002	3,868,494	2,900,191	75.0%
2003	3,928,286	3,934,738	100.2%
2004	3,884,407	4,234,327	109.0%
2005	3,901,394	3,644,042	93.4%
2006	3,678,231	3,678,231	100.0%
2007	3,484,043	3,484,043	100.0%
2008	4,170,320	4,170,320	100.0%
2009	3,278,907	3,278,907	100.0%
Adopted 2010	3,418,835	-	-
Proposed 2011	3,379,143	-	-

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	
2000	3,075,000	5,007,569	162.8%
2001	3,675,000	4,965,250	135.1%
2002	2,991,274	4,319,715	144.4%
2003	2,275,000	3,047,557	134.0%
2004	2,901,500	2,632,212	90.7%
2005	2,587,865	3,046,535	117.7%
2006	2,923,500	3,366,431	115.2%
2007	3,100,000	3,700,995	119.4%
2008	3,477,000	3,083,717	88.7%
2009	2,646,534	2,924,892	110.5%
Adopted 2010	2,415,034	-	-
Proposed 2011	2,415,034	-	-

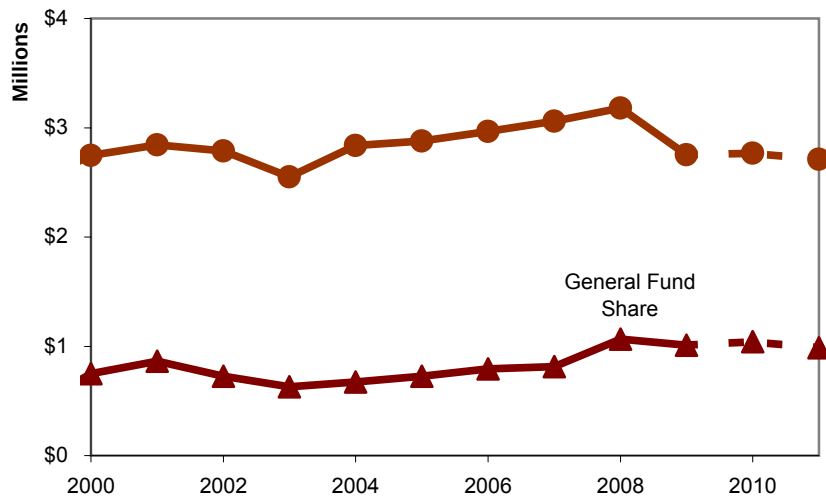


Hotel & Motel Tax

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 Bureau 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.

Hotel & Motel Tax Revenue (All Funds), 2000-2011



	Budget	Actual	
2000	573,822	750,797	130.8%
2001	786,296	863,568	109.8%
2002	839,198	725,949	86.5%
2003	668,700	629,440	94.1%
2004	609,080	673,208	110.5%
2005	734,900	726,526	98.9%
2006	762,760	794,072	104.1%
2007	850,700	815,041	95.8%
2008	1,102,760	1,065,381	96.6%
2009	1,100,000	1,009,590	91.8%
Adopted 2010	1,043,400	-	-
Proposed 2011	986,673	-	-