

Major General Fund Revenues

Property Taxes

Property tax revenues will account for 27% of General Fund revenue in 2007. In any given year several factors affect how much an individual property owner pays in city property taxes:

- City spending and financing needs
- Size of the tax base.
- Composition of the tax base.

City Spending and Financing Needs

The property tax is the primary revenue source that the Mayor and City Council control. The state establishes the 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 2007</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 increase, the size of the tax base also increases. 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. Taxable market value and the class rate both determine the tax capacity of an individual property. A higher class rate will result in a relatively higher tax capacity. Based on the class rate structure, one dollar of commercial/industrial property has a greater tax capacity than one dollar of residential property.

St. Paul Taxable Market Value	
Payable in 2005	\$16,403,703,100
Payable in 2006	\$18,550,595,100
Payable in 2007 (prop.)*	\$21,115,078,800

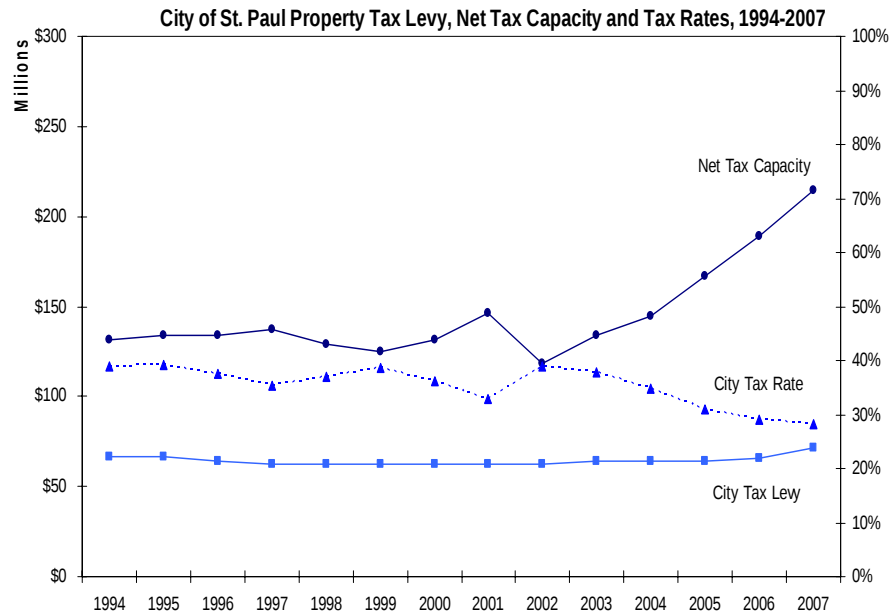
St. Paul Taxable Tax Capacity (mkt. value x class rate)	
Payable in 2005	\$166,905,143
Payable in 2006	\$189,071,923
Payable in 2007 (prop.)*	\$213,586,418

*2007 values are based on proposed rates from Ramsey County Property, Records and Revenue.

Property Taxes

2007 Adopted Budget and Levy

The 2007 adopted City levy is \$71.77 million. Of the proposed levy, \$70.06 million will fund city activities. \$48.98 million will go to the City's General Fund, \$9.19 million for debt service, and \$11.89 million is levied on behalf of the St. Paul Public Library Agency for operations and debt service. The City also levies taxes on behalf of the St. Paul Port Authority, whose 2007 levy is \$1.71 million. Because the City's levy is not growing as fast as St. Paul's tax capacity (see graph below), the City's tax rate will decline again in 2007.



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 2007:

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. Based on proposed tax rates for 2007 including the school referendum approved by voters on November 7, 2006, a home with a taxable value of \$174,800 will have a total property tax bill estimated at \$1,844.

Of the total property tax bill, the largest share goes to the county and then to the school district. The City receives about 24% of the total tax payment – \$442 in this example.

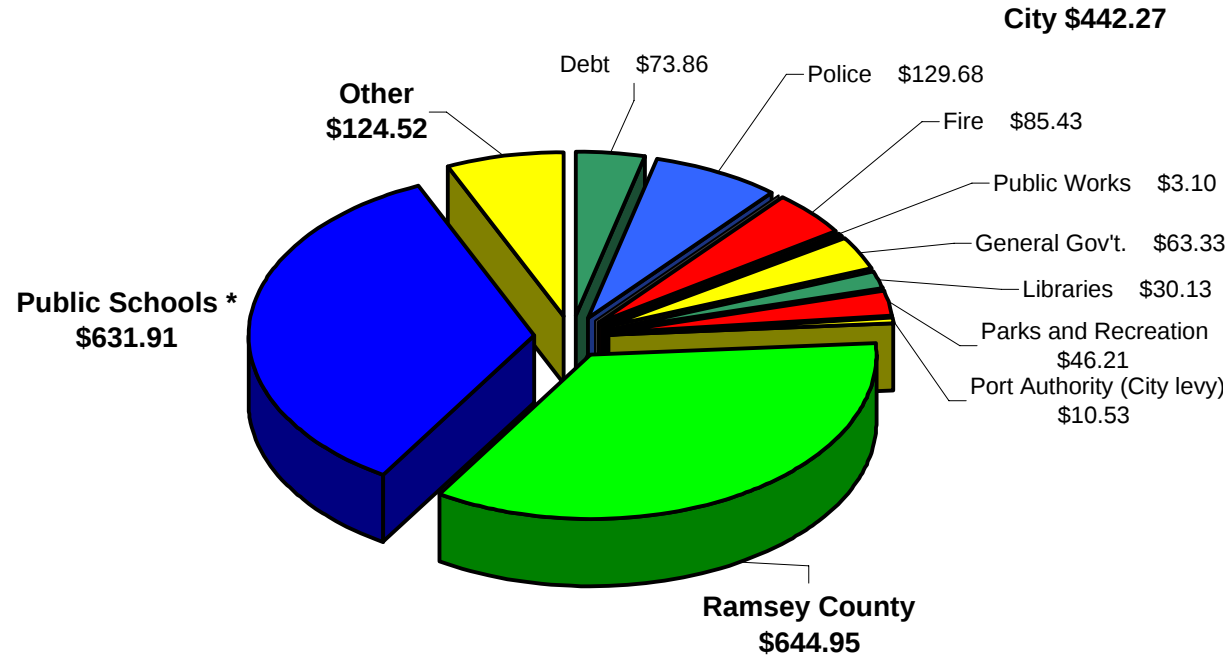
For the typical home in this example, the property tax payment of \$442 to the City of St. Paul would break down to the following amounts:

- \$130 per year for police services
- \$85 per year for fire and emergency medical services
- \$46 per year to operate and maintain the park and rec system
- \$30 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 libraries, rec 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 11% of the City's total revenue and cover just over 27% of the General Fund budget. In comparison, the City's total proposed 2007 property tax levy for all purposes—just under \$72 million—is less than the nearly \$81 million total operating budget of the Police Department.

Estimated 2007 Saint Paul Property Taxes

2007 TNT Tax Rates Applied to a Typical Home Valued at \$174,800



* In addition to the TNT rate, the total for Public Schools includes the impact of the levy referendum that was approved by voters on November 7, 2006.

City of Saint Paul	24.0%
Ramsey County	35.0%
Saint Paul Schools	34.2%
Other	6.8%
	100.0%

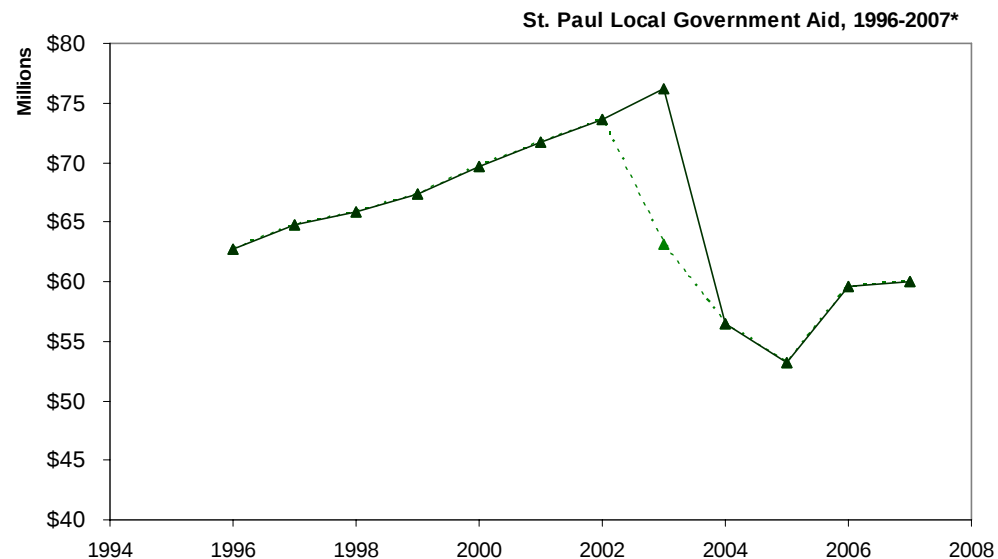
Local Government Aid (LGA)

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 each year based on changes in population, housing, inflation, and other local factors. In 2003, the Governor and Legislature approved changes to the funding formula and levels that greatly reduced St. Paul’s LGA. Local Government Aid dropped from \$76 million in certified aid in 2003 to \$53 million by 2005, a 30% funding cut over two years.

In 2006, the Legislature increased the City’s LGA funding, but St. Paul’s LGA is still \$16.2 million below the certified 2003 level, despite growth in the city’s need.

St. Paul Local Government Aid 1996-2007		
	LGA Funding	Change
1996	\$62,744,907	-
1997	\$64,717,916	3.1%
1998	\$65,835,021	1.7%
1999	\$67,345,179	2.3%
2000	\$69,653,919	3.4%
2001	\$71,739,170	3.0%
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%



* The Legislature adjusted LGA in the second year of its 2002-03 biennial budget and reduced St. Paul's previously certified LGA funding by \$13 million. The original certified amount and revised amount are both reflected here.

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.

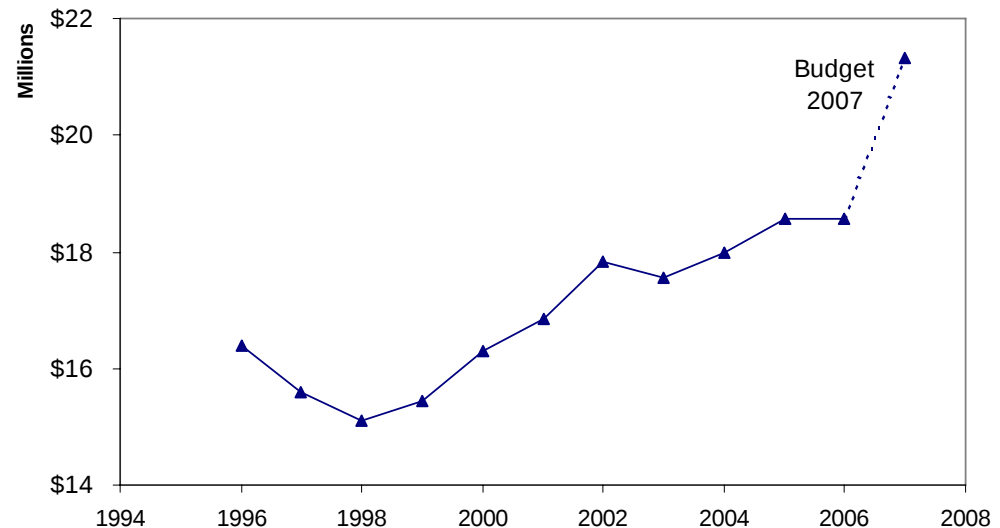
Under state law, utilities may pass on their fees to utility customers on monthly bills. For each utility, the franchise fee is based on a negotiated formula adopted by City Council ordinance. Most of this revenue goes to the General Fund, but some franchise revenue supports debt service or specific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

St. Paul Franchise Agreements for 2007:

- ❖ Xcel Energy supplies natural gas and electrical service to St. Paul homes and businesses.
- ❖ Norenco, now owned by NRG Thermal, supplies steam power to the Rock-Tenn facility on Vandalia St.
- ❖ 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.
- ❖ Energy Park is the heating and cooling utility serving customers in the Energy Park development.
- ❖ Empire Builder is the heating and cooling utility serving the Empire Builder development north of downtown St. Paul.

	Budget	Actual	
1996	\$15,582,313	\$16,377,281	105.1%
1997	\$16,027,700	\$15,582,715	97.2%
1998	\$16,407,700	\$15,115,816	92.1%
1999	\$16,360,345	\$15,441,543	94.4%
2000	\$16,426,045	\$16,303,980	99.3%
2001	\$16,426,045	\$16,842,475	102.5%
2002	\$17,516,184	\$17,839,903	101.8%
2003	\$17,516,184	\$17,557,960	100.2%
2004	\$17,730,603	\$17,983,410	101.4%
2005	\$17,840,511	\$18,559,769	104.0%
2006**	\$18,209,867	\$18,553,748	101.9%
Budget 2007	\$21,318,043	-	

Franchise Revenues (General Fund), 1996-2007



* District Energy's franchise fees have financed both the General Fund and Debt Service Fund over recent years. In 2007, District Energy's franchise fees will go to the General Fund. Property tax financing will be substituted in the Debt Service fund.

** 2006 earnings are tentative, and may be revised to reflect year-end changes.

Paramedic Fees

The St. Paul Fire Department's paramedics and emergency medical technicians respond to over 25,000 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 which does not charge 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.

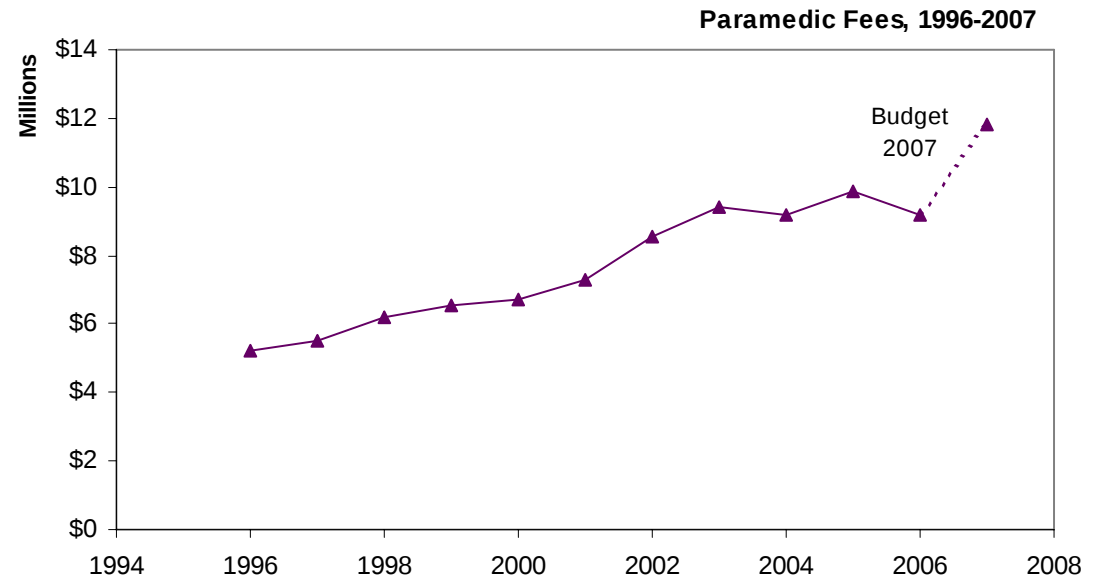
Paramedic fees support the General Fund, which also supports the majority of spending on Fire and Safety Services.

2006 Paramedic Fees, St. Paul and other Ramsey County providers

	ALS-1	ALS-2	Average
Cottage Grove	\$1,528	\$1,528	\$1,528
Lakeview Hospital	\$1,234	\$1,564	\$1,399
HealthEast-St. John's	\$1,300	\$1,400	\$1,350
Woodbury	\$1,134	\$1,354	\$1,244
Maplewood	\$1,170	\$1,295	\$1,233
HealthEast-St. Joseph's	\$1,200	\$1,239	\$1,219
ALF Ambulance	\$993	\$1,280	\$1,137
Oakdale	\$1,000	\$1,200	\$1,100
St. Paul	\$1,065	\$1,065	\$1,065
HCMC	\$975	\$985	\$980
White Bear Lake	\$565	\$625	\$595

ALS is Advanced Life Support. ALS-1 includes EKG, blood sugar, IV, and other procedures. ALS-2 includes 3 or more medications and invasive procedures.

	Budget	Actual	
1996	\$5,050,000	\$5,242,043	103.8%
1997	\$5,377,854	\$5,507,135	102.4%
1998	\$6,401,260	\$6,210,572	97.0%
1999	\$6,866,260	\$6,549,344	95.4%
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	\$9,183,233	90.0%
Budget 2007	\$11,835,896	-	0.0%



* 2006 paramedic fees are collections through December 2006, but may be revised to reflect bad debt or other changes.

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:

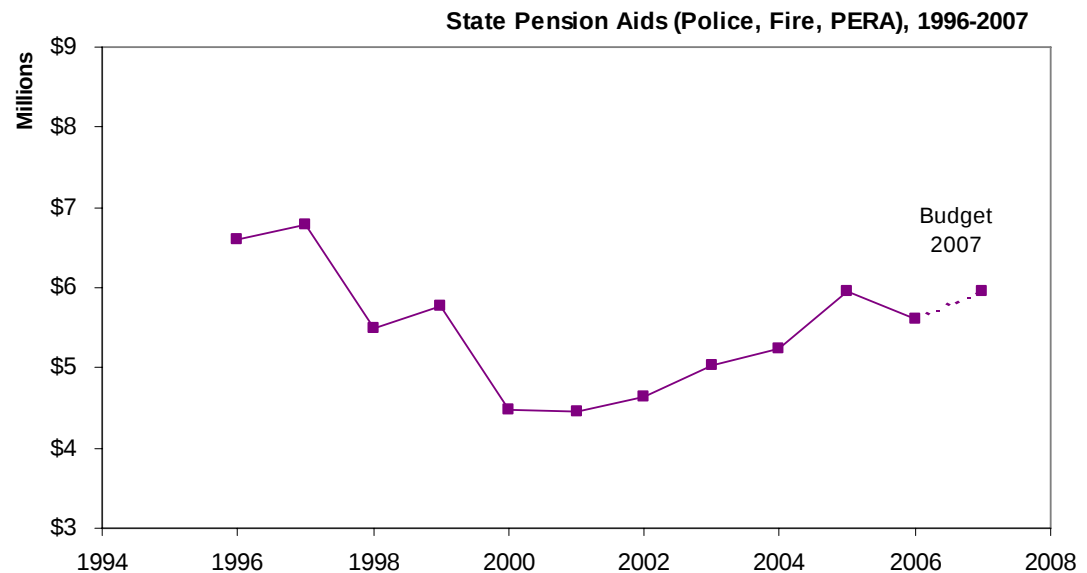
- the number of full-time firefighters and sworn police officers St. Paul employs
- the uncovered liabilities (if any) of the police and fire pension funds
- the premiums collected by insurance companies in Minnesota

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-Police and Fire City employees. The vast majority (91%) of state pension aid for St. Paul goes to Police and Fire. Between 1997 and 2000, state amortization aid payments meant to cover unfunded liabilities dropped due to the Police pension fund reaching fully funded status.

In 2007, pension aids are budgeted to remain stable at \$5.96 million, based on actual 2005 and 2006 state aids.

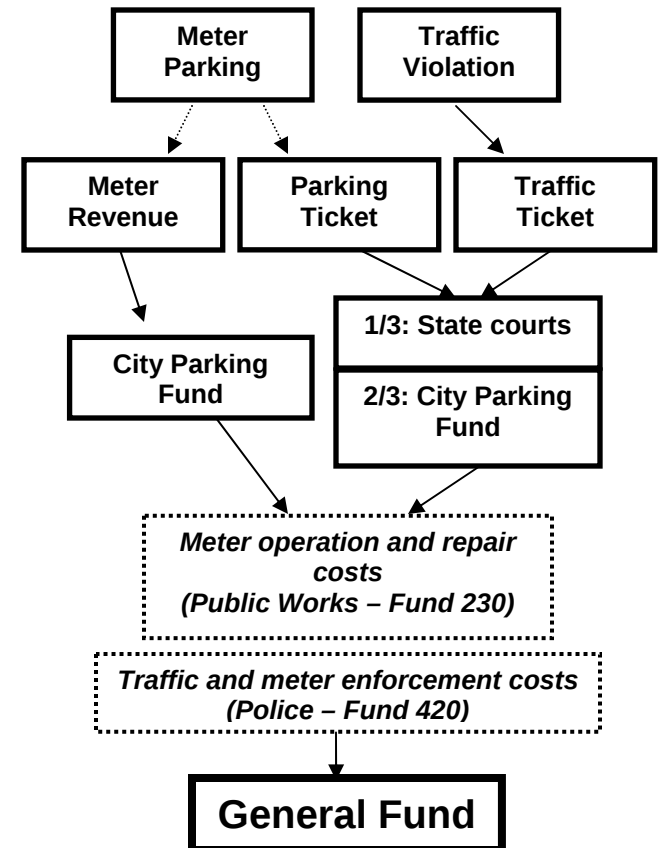
	Budget	Actual	
1996	\$5,768,993	\$6,595,119	114.3%
1997	\$5,978,993	\$6,788,089	113.5%
1998	\$6,339,518	\$5,502,098	86.8%
1999	\$6,482,512	\$5,776,685	89.1%
2000	\$4,717,512	\$4,479,120	94.9%
2001	\$4,945,633	\$4,455,051	90.1%
2002	\$5,170,633	\$4,646,512	89.9%
2003	\$5,170,633	\$5,027,280	97.2%
2004	\$5,223,442	\$5,248,407	100.5%
2005	\$5,418,354	\$5,957,264	109.9%
2006	\$6,186,094	\$5,599,961	90.5%
Budget 2007	\$5,957,264	-	0.0%



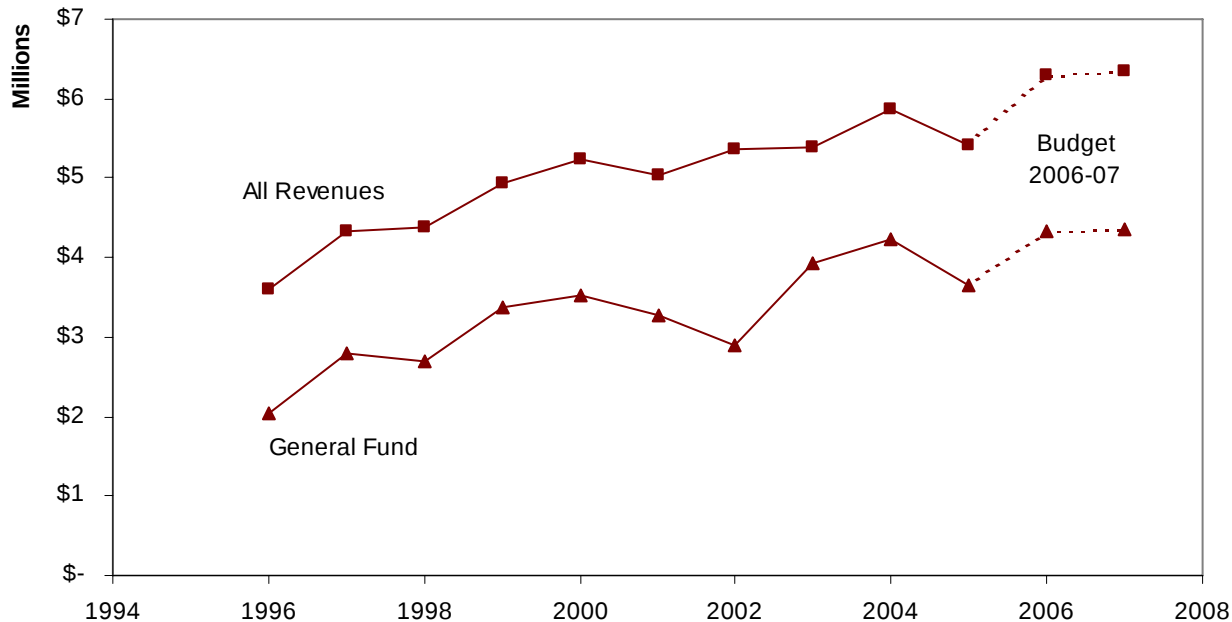
Parking Meters and Fines

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. Revenues from meters and parking and traffic violations are budgeted at \$6.3 million for 2007, and the General Fund is budgeted to receive \$4.35 million of that amount. 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.

As of 2005, City revenues are collected by the Department of Public Works in the City Parking Fund (#230), and a portion is retained to cover costs of meter collection and maintenance. Costs of enforcement are transferred to the Police Department's Parking Enforcement Fund (#420). The remainder, with certain exceptions, is transferred to the General Fund. The flow chart at right illustrates the movement of revenues from collection to the General Fund.



Parking Meters and Violations, 1996-2007



	Budget	Actual	
1996	\$ 2,343,173	\$ 2,048,734	87.4%
1997	\$ 2,440,444	\$ 2,791,021	114.4%
1998	\$ 2,847,074	\$ 2,694,054	94.6%
1999	\$ 2,962,742	\$ 3,361,625	113.5%
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%
Budget 2006	\$ 4,318,351	-	0.0%
Budget 2007	\$ 4,350,059	-	0.0%

Interest Earnings

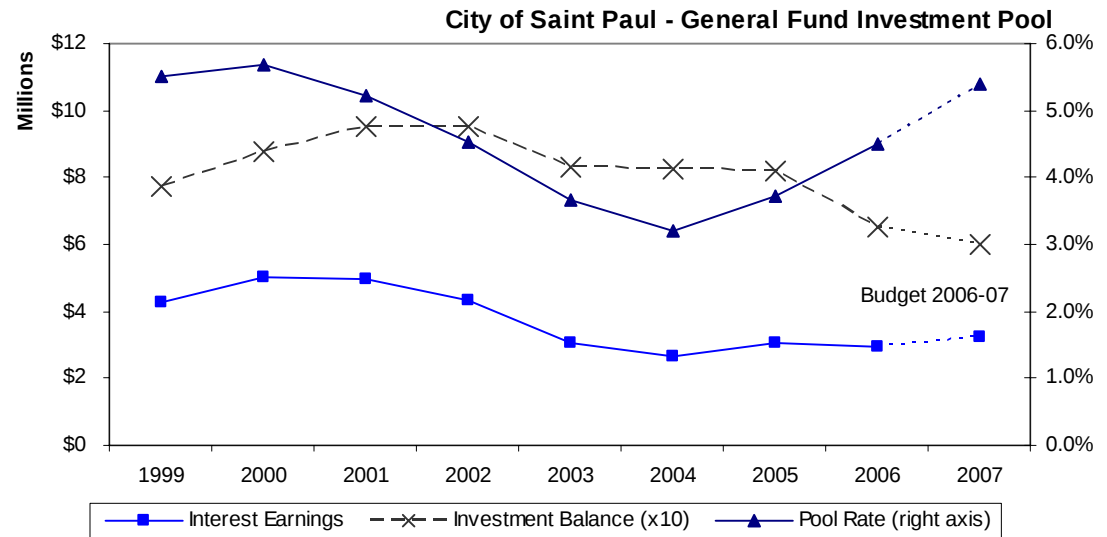
The City's investment pool earns annual returns based on two key factors: the investment balance of the pool (total amount invested), and the performance of the market. Interest earnings in certain Special Funds have also been awarded to the General Fund in past years.

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.

As of the 3rd quarter of 2006, the City internally managed 58% of its portfolio and 42% was managed by 5 outside firms.

In 2007, interest earnings are forecast to increase 7.5% from 2006, from \$2.92 to \$3.14 million. This is based on an increase of .75% in rate of return, from 4.5% in 2006 to 5.25% in 2007.

	Budget	Actual	
1996	\$1,420,000	\$1,778,452	125.2%
1997	\$1,750,000	\$2,667,491	152.4%
1998	\$1,925,000	\$3,910,890	203.2%
1999	\$2,275,000	\$4,255,477	187.1%
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%
Budget 2006	\$2,923,500	-	0.0%
Budget 2007	\$3,240,719	-	0.0%



Hotel & Motel Tax

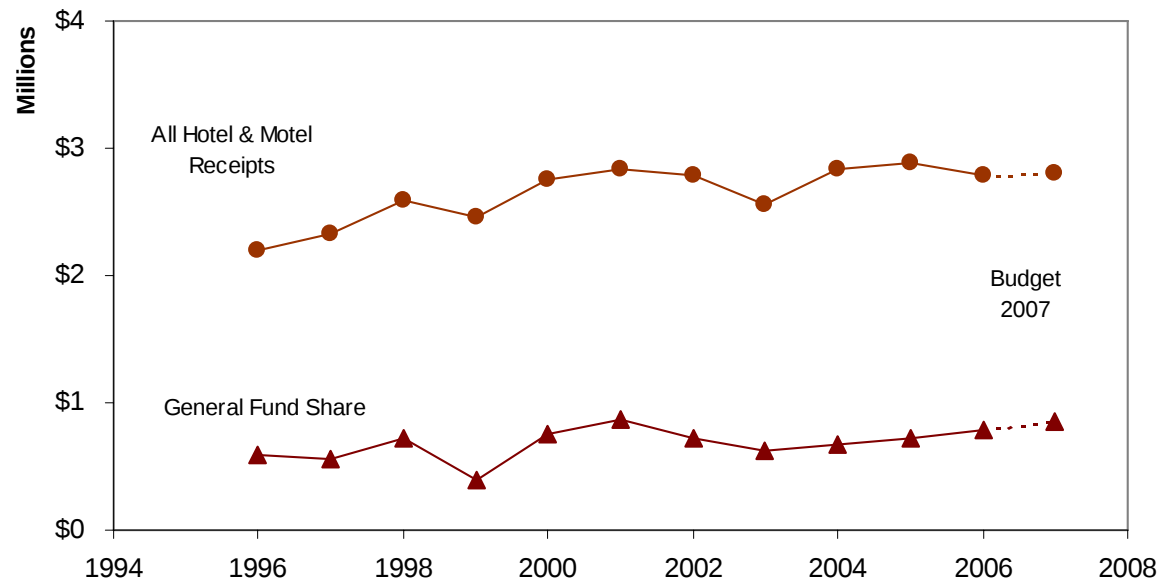
The City charges a 6% tax on all room charges in St. Paul, in addition to the state sales tax. For hotels and motels under 50 rooms, the tax is 3%. The tax rate is set by state law.

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.

	Budget	Actual	
1996	\$565,250	\$582,840	103.1%
1997	\$565,000	\$549,560	97.3%
1998	\$532,650	\$728,333	136.7%
1999	\$506,322	\$398,863	78.8%
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%
Budget 2006	\$762,760	\$794,072	104.1%
Budget 2007	\$850,700	-	0.0%

Hotel & Motel Tax Revenue (All Funds), 1996-2007



* 2006 revenue is tentative and may be revised to reflect year-end changes.