

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.

St. Paul Taxable Market Value	
Payable in 2014	\$17,136,978,400
Payable in 2015	\$18,505,760,900
Payable in 2016 (est.)	\$19,421,224,686

St. Paul Tax Capacity	
Payable in 2014	\$214,507,991
Payable in 2015	\$228,673,698
Payable in 2016 (est.)	\$239,858,952

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 2016</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

2016 Proposed Budget and Levy

The 2016 Proposed City levy is \$105,605,943 which is an increase of 1.9% from 2015. Of the proposed levy, \$103.8 million will fund city activities. \$74.4 million will go to the City's general fund, \$12.4 million for debt service, and \$17 million will fund the St. Paul Public Library Agency. The City also levies taxes on behalf of the St. Paul Port Authority, whose proposed 2016 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 2015:

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 2015, a home with a taxable value of \$145,000 had a total property tax bill of \$2,036.

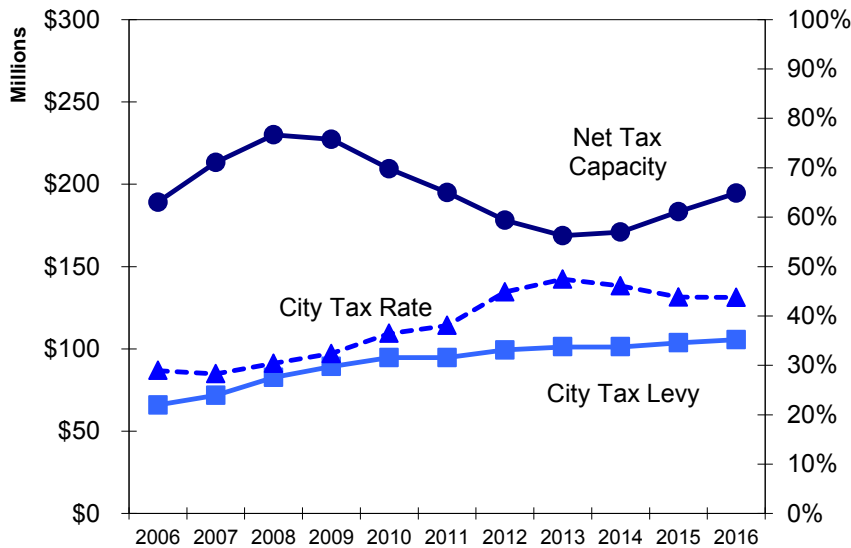
Approximately 26% of the total property tax payment for taxes payable in 2015 pays for City services – \$529 in this example.

For this particular home, the property tax payment of \$529 to the City would include the following amounts for key city services:

- \$157 per year for police services
- \$104 per year for fire and emergency medical services
- \$51 per year to operate and maintain the parks and recreation system
- \$30 per year to operate and buy materials for the Saint Paul Public Libraries
- \$63 per year for capital debt service—the cost of building new park and library facilities, playgrounds, and street construction

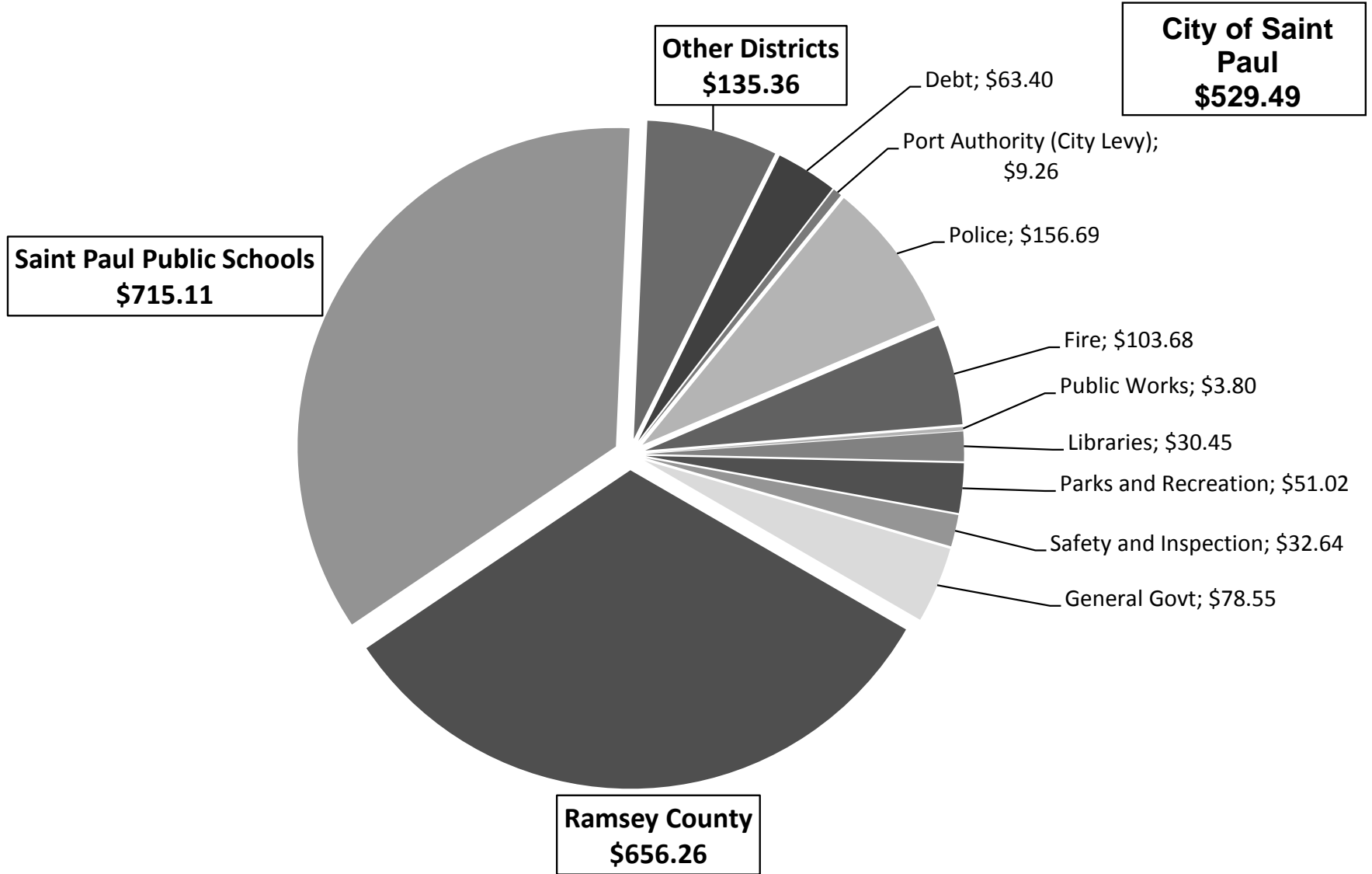
Property taxes cover only a small part of the total cost of services. In total, property taxes supply only about 17% of the City's total revenue and cover about 35% of the combined City and Library General Fund budgets. In comparison, the City's total proposed 2016 property tax levy for all city purposes—approximately \$105.6 million—is less than the \$108.6 million operating budget of the Police Department.

City of St. Paul Property Tax Levy, Tax Rates and Net Tax Capacity, 2006-2016



Estimated 2015 Saint Paul Property Taxes

2015 Final Tax Rates Applied to a Typical Home Valued at \$145,000

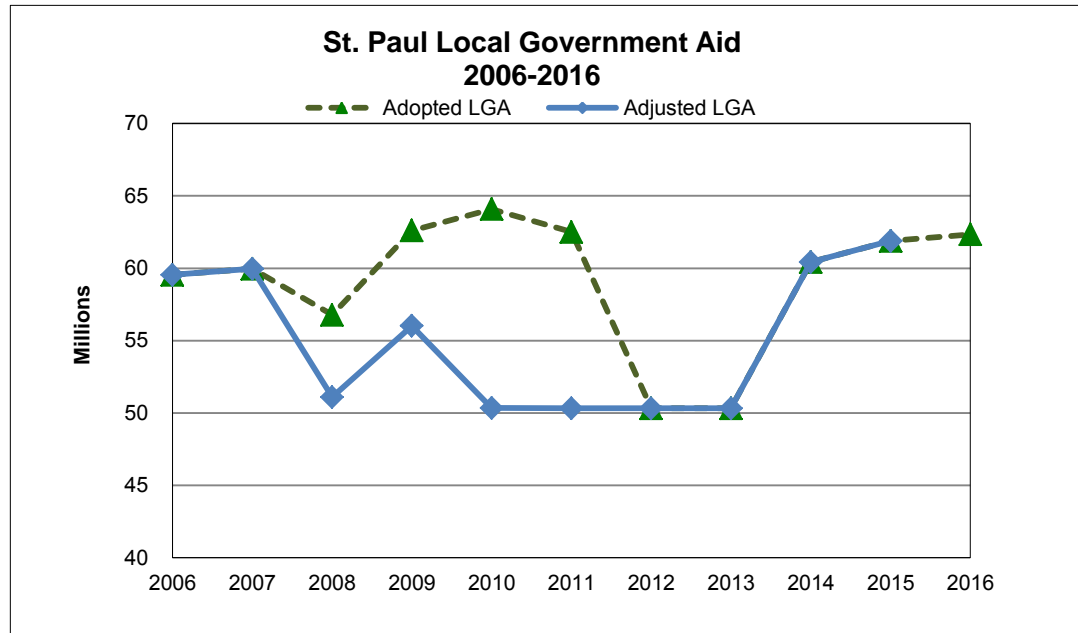


Local Government Aid (LGA)

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 was 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. After a significant restoration in 2014 of \$10.1 million and an inflationary increase in 2015, 2016 certified LGA is only modestly increasing by less than 1%.

St. Paul Local Government Aid 2006-2016		
	LGA Funding	Change
2006	59,544,561	
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*	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%



*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.

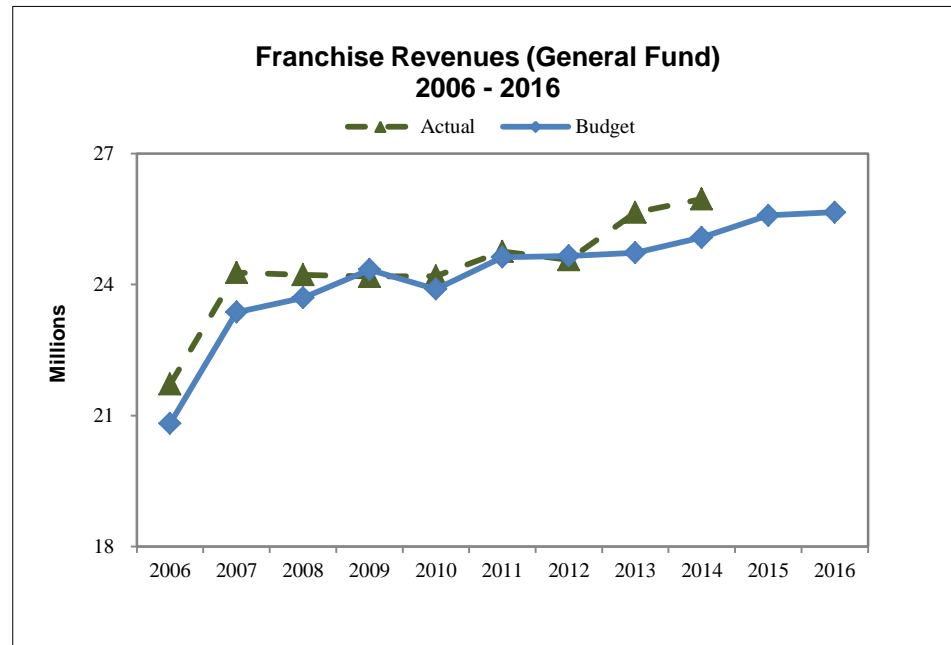
Under state law, utilities may pass on their fees to utility customers on monthly bills. For each utility, the franchise fee is based on a negotiated formula adopted by City Council ordinance. Most of this revenue goes to the General Fund, but some franchise revenue supports debt service or specific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

St. Paul Franchise Agreements 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*
2006	20,819,867	21,719,071
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 Adopted	25,584,650	N/A
2016 Proposed	25,656,218	N/A

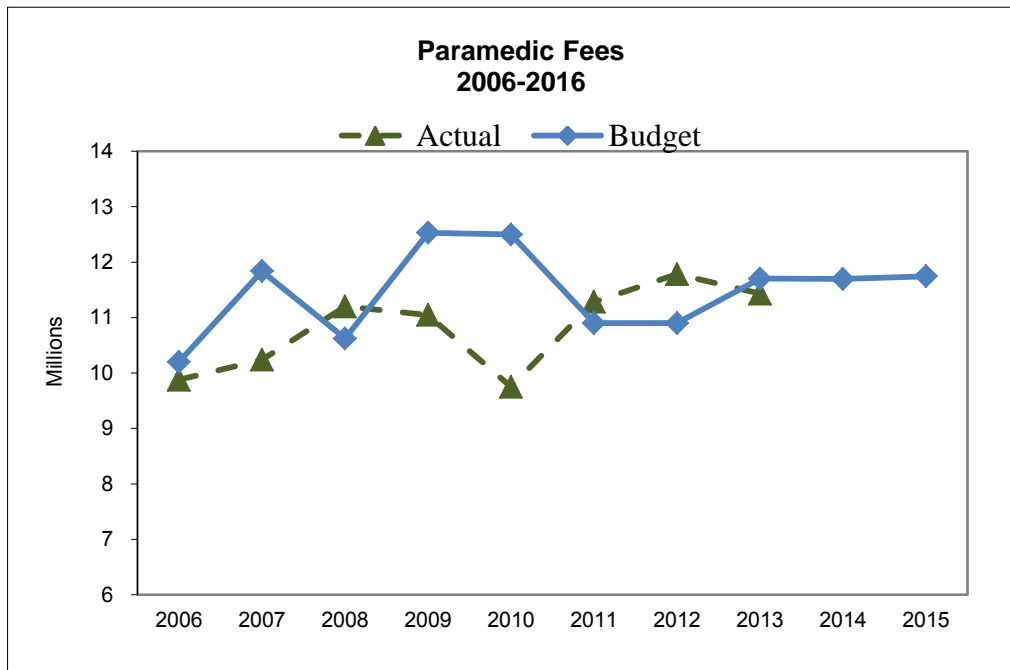
*2014's Actuals are unaudited



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, which also supports the majority of spending on Fire and Safety Services.



	Budget	Actual
2006	10,200,000	9,876,413
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	11,427,970
2015 Adopted	11,744,962	N/A
2016 Proposed	11,744,962	N/A

*2014's Actuals are unaudited

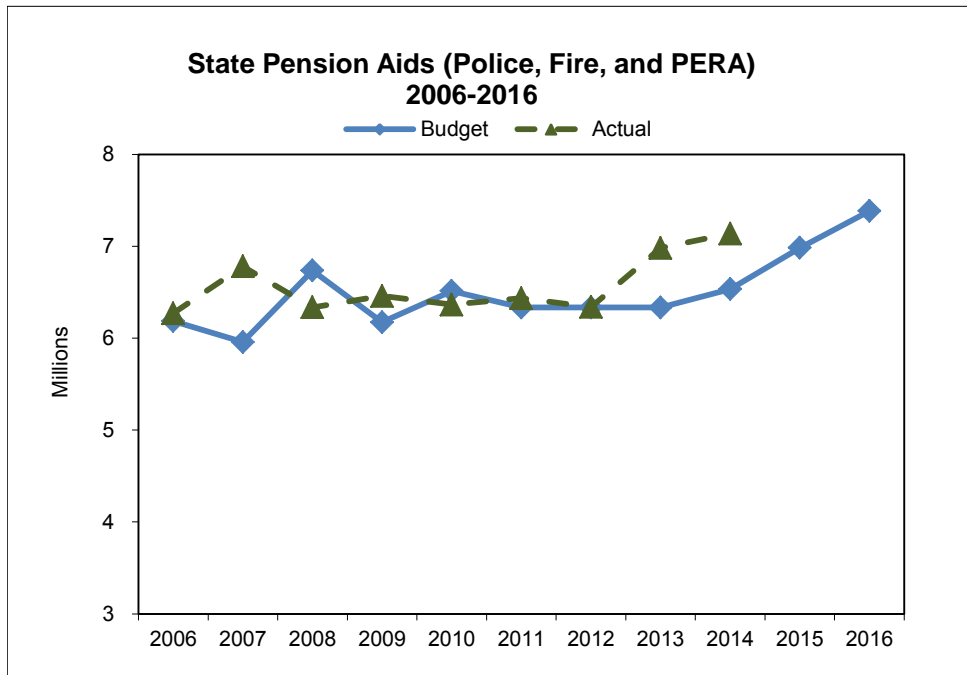
State Pension Aids

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 2016, pension aids are expected to increase to \$7.38 million.

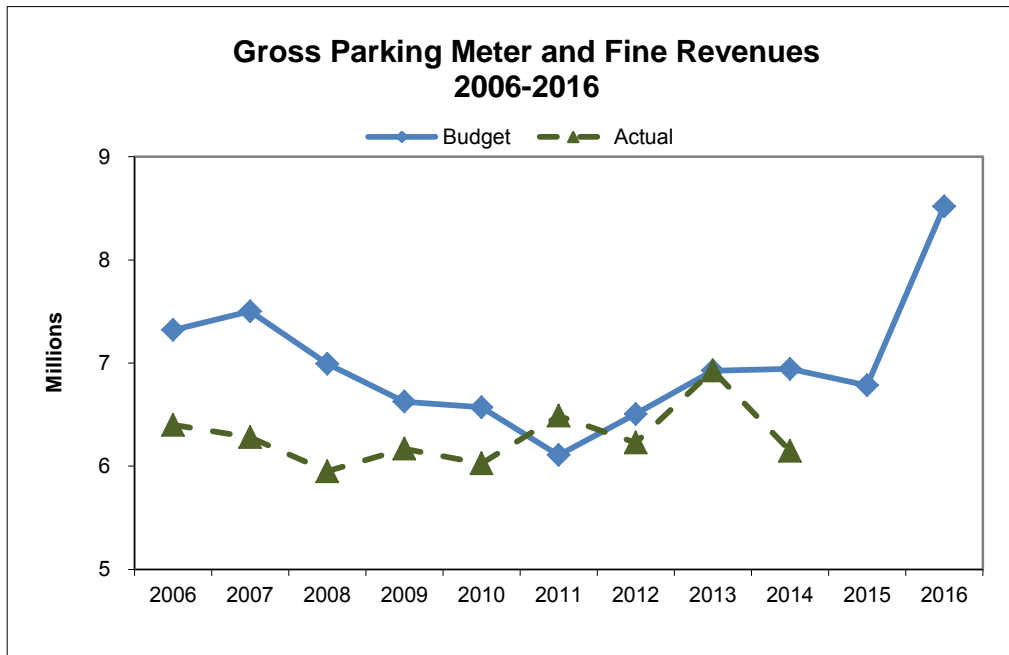


	Budget	Actual
2006	6,186,094	6,270,624
2007	5,957,264	6,780,409
2008	6,736,230	6,335,966
2009	6,172,731	6,459,128
2010	6,512,576	6,364,824
2011	6,333,132	6,433,722
2012	6,333,132	6,338,457
2013	6,333,132	6,982,099
2014*	6,533,134	7,138,075
2015 Adopted	6,982,199	N/A
2016 Proposed	7,382,706	N/A

*2014's Actuals are unaudited

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 1,000 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. 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 2016 is expected to have increased parking meter revenue due to the proposed expansion of the parking meter system.



	Budget	Actual
2006	7,320,747	6,401,298
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	6,149,366
2015 Adopted	6,783,810	N/A
2016 Proposed	8,520,008	N/A

*2014's Actuals are unaudited

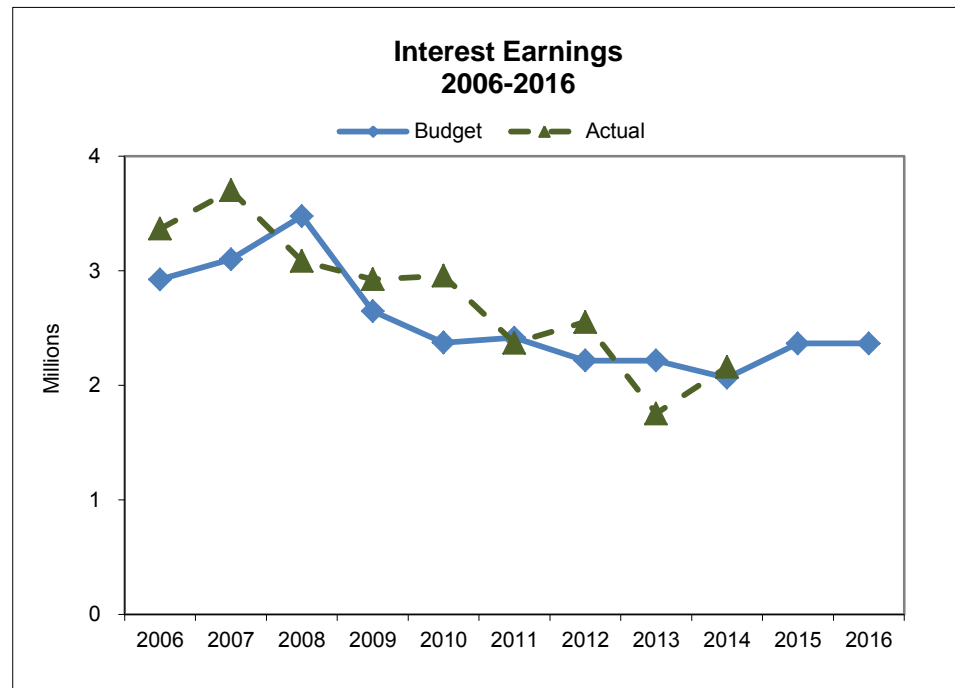
Interest Earnings

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
2006	2,923,500	3,366,431
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	2,158,970
2015 Adopted	2,365,034	N/A
2016 Proposed	2,365,034	N/A

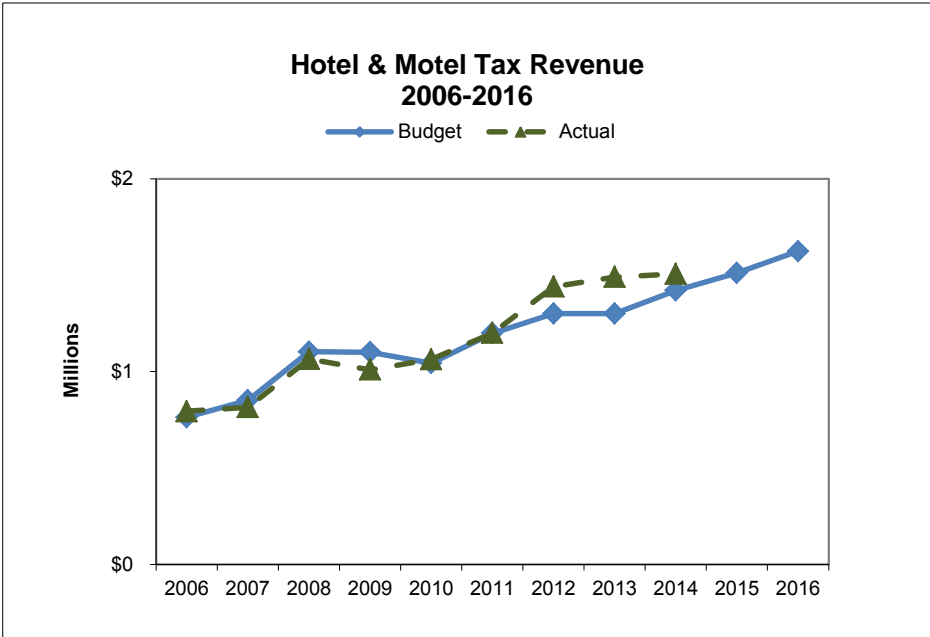
*2014's Actuals are unaudited



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 2016, Hotel & Motel Taxes are budgeted to increase by an additional \$112,610.



	Budget	Actual
2006	762,760	794,072
2007	850,700	815,041
2008	1,102,760	1,065,381
2009	1,100,000	1,009,590
2010	1,043,400	1,062,720
2011	1,198,400	1,199,831
*2012	1,300,900	1,440,985
2013	1,300,900	1,490,362
2014**	1,420,900	1,506,469
2015 Adopted	1,511,400	N/A
2016 Proposed	1,624,010	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.

**2014's Actuals are unaudited