



GENERAL QUESTIONS



SAINT PAUL
MINNESOTA

City of Saint Paul Sales Tax FAQs

UPDATED 3/24/23

Q: Why is there such a big gap in adequate funding for infrastructure?

A: There are few reasons for the gap in the current funding:

1. The State of Minnesota's Local Government Aid (LGA) Program has been cut a few times in the past 20 years and is no longer tied to inflation. If the LGA formula from prior to 2003 was kept, Saint Paul would currently receive an additional \$64.6 million in aid per year from the State. According to the State LGA formula, the gap between Saint Paul's unmet need and the City's certified LGA is \$27.4 million – the largest gap of any city in Minnesota. LGA was created to help equalize local funding in communities with smaller and larger property tax bases. About 22% of zoned land in Saint Paul is property tax-exempt, including State government, colleges and universities, hospitals, and places of worship;
2. For 12 straight years in the 1990s and early 2000s, Saint Paul's property tax levy was not increased at all, while costs for services continued to rise. Since 2007, the City has been trying to fill the budget hole left from those years, while Local Government Aid has been cut at times and otherwise stayed flat.
3. As the State's Capital City, second-largest city, and a regional center and destination, visitors to Saint Paul do not contribute directly to paying for infrastructure maintenance and improvement. Sales tax

is a reasonable tool to fairly spread the costs out among those who are using the infrastructure, including those who come into Saint Paul to work, recreate, etc.

4. There are no other better funding sources that are sufficient or sustainable. The gas tax is inadequate, lags inflation, and continues to decrease with fewer cars and people driving. Federal sources are one-time. All other local sources are regressive, e.g. property taxes.

Q: Why sales tax rather than property tax?

A: Funding the projects with a local sales tax will more closely distribute the costs of the project(s) to the users of the facilities as compared to a property tax increase, including people who work but do not live in Saint Paul, visitors who utilize lodging, attend events, conventions, and conferences, and patronize Saint Paul's many dining and beverage establishments, including our many brewery/taprooms.

Also, all internet sales now apply sales tax (e.g. Amazon, Wayfair, Chewy, etc.). The trucks that deliver these goods impose wear and tear on our streets, and these are growing sources of revenue in the future.

A property tax would be much more regressive. Raising the equivalent amount of revenue via property taxes would require

CONTINUED ON NEXT PAGE >



a 20% increase in the property tax levy, resulting in a \$304 increase for a median value home. The owners of a median value home in Saint Paul would need to purchase more than \$30,000 of taxable goods to experience the same annual tax impact through a sales tax.

Out-of-town users of City facilities:

- According to US Census data, 136,148 jobs located in Saint Paul are held by people that live outside of Saint Paul.
- In 2022, the Xcel Energy Center had almost 1.5 million visitors, many of whom come from outside of Saint Paul
- All of these visitors to Saint Paul use and put strain on City facilities. They can contribute to the restoration and reinvestment in these facilities through a local option sales tax.

Q: With the record-setting State surplus, why not just ask the State for more of the surplus funds to invest in these capital needs?

A: The global deal that legislators were close to approving last session ate up a sizable portion of the state surplus. Legislators have already announced plans for significant new spending this session, primarily in education, housing, public safety, climate change, and other areas that the City supports. Additionally, the state surplus represents one-time funding. Saint Paul needs sustained, ongoing resources to address the sizable backlog of deferred maintenance in city streets, parks, and rec centers.

Q: How would the sales tax burden be spread out?

A: Details can be found in the State's "[Tax Incidence Study](#)", but Minnesota's sales tax is much more progressive than other sales taxes because it exempts food and clothing and other essential items. Also, sales taxes in Minnesota are slightly more progressive than rental property taxes.

Q: How would Saint Paul businesses be affected?

A: A 1% sales tax increase in Saint Paul would bring the overall sales tax here to the same level as Duluth, and just a bit higher than in Minneapolis. Minneapolis also has an additional 3% tax on entertainment venue tickets and bars/restaurants in the downtown area that Saint Paul does not. As a result, we would not anticipate any significant changes to where residents and visitors spend money.

Businesses in Saint Paul would benefit from streets and parks that are in better condition. While individuals buying large-ticket items may be more sensitive to local sales taxes, there are not, for one prominent example of a large-ticket item, any new car dealerships in Saint Paul.

Finally, "bricks and mortar" businesses in Saint Paul would be on a level playing field with sales from online options, because the sales tax would apply to both.

Q: What would the impact of a sales tax be on our downtown business district?

A: The arts and entertainment, accommodation and food/drink industries comprise approximately 22% of the city's collected sales tax receipts which is largely driven by visitors coming to visit the city's vibrant downtown and surrounding neighborhoods.

Most of the businesses impacted by the increase, are large, multinational corporations. Overall, of the top fifteen sales tax-paying businesses, 11 are Fortune 500 companies and the remaining 4 are multinational corporations. 31% of total sales went to companies outside of Minnesota – even less was from local businesses.

Q: What is the city of Saint Paul's current investment on streets?

A: In recent years, the Public Works Department budgeted about \$22 million for street improvements, which was typically split \$11 million for arterial street improvements and \$11 million for residential street improvements.

These numbers represent the City's dedicated funding to streets, and do not include non-street improvements, such bridges, traffic signals, other agency cost participation, or grant funding.



To achieve an overall 70 PCI of all Saint Paul streets, the City would need an additional \$29 million per year. The current annual budget for road-specific improvements is not adequate to keep the city's street system condition from continuing to decline. What's worse, is that more than half of the annual budget dedicated for road reconstruction (\$16.5 million) is bonded. Bonds are a financing tool; not a revenue source, and assessments to property owners continue to provide challenges and variability for budgeting, making sales tax a dependable long-term revenue source.

In 2019, Mayor Carter amended the Public Works budget to double the arterial mill and overlay program to \$5 million annually and championed \$3 million per year for a 3-year downtown mill and overlay program that was completed in 2021.

Beginning in 2023, Saint Paul is launching a new \$4 million annual residential street mill and overlay program funded with bonds.

In 2023, total capital spending available for road-specific improvements (both arterial and residential streets), not including one-time grants, is \$30 million. Depending on the year, this allows Saint Paul to do about 2.5 miles of road reconstruction and 3 miles of mill and overlay, but is also a source for other projects like bridges and traffic signals. For reference, Saint Paul has approximately 200 miles of city-owned arterial streets and more than 500 miles of residential streets. Currently, the planning-level cost to engineer and construct one center-lane mile on an arterial street is \$12.8 million.

This year, Saint Paul is programmed to spend about 20%, or \$2 million of our \$11 million Municipal State Aid (MSA) for state, county, or Metro Transit improvements in Saint Paul. Over the next five years Saint Paul Public Works is programmed to spend more than 1/3 of our annual MSA allocation on systems owned by other agencies.

It is important to note that the dedicated sales tax funding will not be adequate to address the current funding gaps for other public works infrastructure needs in Saint Paul, including bridges, sewers, and water infrastructure.

To achieve an overall 70 PCI of all Saint Paul streets, the City would need an additional \$29 million per year. The current annual budget for road-specific improvements is not adequate to keep the city's street system condition from continuing to decline. What's worse, is that more than

half of the annual budget dedicated for road reconstruction (\$16.5 million) is bonded. Bonds are a financing tool; not a revenue source, and assessments to property owners continue to provide challenges and variability for budgeting, making sales tax a dependable long-term revenue source.

Q: How does Saint Paul's proposed sales tax compare to other cities?

A: Several MN cities have sales tax rates comparable to Saint Paul. Some cities also have special taxes on food, beverages, and entertainment; Saint Paul does not have any of these special taxes.

- Duluth has an 8.875% sales tax rate, and a 2.25% food and beverage tax
- Minneapolis has an 8.025% sales tax rate, a 3.0% downtown area tax on restaurants and liquor, and a 3.0% admission/entertainment tax

Sales Tax Comparison: A night out in...

	Bloomington		Duluth		Downtown Minneapolis		Downtown Saint Paul		Proposed	
	Tax Rate	Total	Tax Rate	Total	Tax Rate	Total	Tax Rate	Total	Tax Rate	Total
\$6 beer	13.025	\$ 6.78	13.625	\$ 6.82	12.025	\$ 6.72	10.375	\$ 6.62	11.375	\$ 6.68
\$50 dinner	7.525	\$ 53.76	11.125	\$ 55.56	11.025	\$ 55.51	7.875	\$ 53.94	8.875	\$ 54.44
\$100 ticket	10.525	\$ 110.53	8.875	\$ 108.88	11.025	\$ 111.03	7.875	\$ 107.88	8.875	\$ 108.88
\$200 hotel room	13.025	\$ 226.05	14.375	\$ 228.75	14.025	\$ 228.05	14.875	\$ 229.75	14.875	\$ 229.75
		\$ 397.12		\$ 400.01		\$ 401.31		\$ 398.19		\$ 399.75

Note:
Includes: state sales and liquor taxes, county taxes and other local option sales taxes



- Bloomington has a 7.525% sales tax rate, a 3.0% local liquor tax (in addition to the state liquor tax of 2.5%), and a 3.0% admission/entertainment tax
- Rochester has an 8.125% sales tax rate

See a comparison of a night out in each of the four cities on the previous page.

Q: How much does Saint Paul contribute to the local economy?

A: Saint Paul is a significant tax contributor to the State of Minnesota particularly through sales, income, and provider tax revenues.

Purchases made in Saint Paul contribute about \$302 million in state sales tax collections annually.

Employees working in Saint Paul contribute approximately \$550 million in state income tax revenue annually.

Q: What is the legislature being asked to do?

A: The legislature is being asked to allow the voters of Saint Paul to discuss and decide whether they want to raise the local sales tax by \$0.01 to fund critical work on streets and parks.

PUBLIC WORKS

Q: What is the overall condition of Saint Paul's arterial streets?

A: According to a 2019 Pavement Condition Index (PCI) report conducted by the Saint Paul Department of Public Works, the current funding levels will not be able to maintain the existing level of road conditions throughout the City. Public Works re-analyzed the pavement network in 2022 and estimated that without additional funding, the condition of the City-owned arterial and collector network will drop to 29 ("very poor" condition), from the current condition rating of 49 ("fair to poor" condition), on a scale of 1-100, in the next 20 years. Both the current and future PCI ratings are below the common industry benchmark of 70.

Q: What is the current replacement cycle of our streets?

A: At current funding levels, Saint Paul's city-owned arterial streets have a 124-year replacement cycle, while city-owned residential streets have a 289-year replacement cycle. The industry standard is a 60-year maximum design life. As streets age, conditions deteriorate faster and maintenance activities rapidly lose effectiveness. As a result, streets become much more expensive to maintain, rendering a street practically unserviceable and in need of reconstruction.

Q: How was the decision made to choose the streets to replace?

A: With approximately 200 miles of city-owned arterial and collector streets in Saint Paul there were several factors that were considered when selecting the 24 street segments for construction and/or multi-modal improvements:

1. The City established five overall goals (in no particular order):
 - a. Improve Regional Transitway Corridors
 - b. Improve Industrial Freight Connections
 - c. Improve Pedestrian Safety and Access
 - d. Improve Connections to the River
 - e. Expand the Off-Street Bicycle Trail Network
2. Ensuring that there are street infrastructure improvements geographically dispersed across all seven of the City's wards, to improve the entire transportation system throughout Saint Paul. This ensures that wherever you travel in, out, and around Saint Paul there are safer, more efficient roadways that connect to the greater region for all.
3. Saint Paul has an aging street infrastructure; these segments may be more problematic due to any combination of age, current conditions, traffic volumes, maintenance, lack of multi-modal use, accessibility, safety, and/or more.

CONTINUED ON NEXT PAGE >



4. Improving these street segments should improve the overall safety and usability of Saint Paul's street system for everyone. In Saint Paul, 91% of severe crashes occur on the City's arterial and collector streets, which make up about 21% of Saint Paul's roadway network.

5. Public Works will be updating its criteria for prioritizing capital improvements to include equity, safety, and multi-modal categories. This will apply to how we prioritize the implementation of all identified capital projects, including those in the sales tax program.

Q: How would sales tax revenue be used specifically on streets?

A: The sales tax revenue dedicated to complete streets would allow for the much-needed reconstruction and regular rehabilitation of Saint Paul's arterial and collector street system which would improve the safety and multi-modal usability for all residents, businesses, visitors, and commuters across Saint Paul. Some of the infrastructure improvements could include:

- *Physical enhancements in the roadway*, such as new concrete sidewalks and curbs, bridges, street pavement, drainage, utilities, streetscaping, lighting, traffic control, public EV chargers, and right of way acquisition.
- *Pedestrian and bicycle safety improvements*, such as traffic calming, bump outs,

visible crosswalks, ADA accessible ramps, dedicated bike facilities, traffic control, and street lighting

- *Transit coordination with other agencies*, including mass transit and commercial freight
- *Sustainable and reimagined green spaces*, such as trees, landscaping and other public uses

The dedicated sales tax funding will improve the overall safety and usability of Saint Paul's streets and public right of way to better meet the changing needs of the community now and into the future.

Q: What are the benefits to a sales tax OTHER than fixing streets?

A: An investment in Saint Paul streets strengthens the regional economy by benefiting business owners, residents, and every commuter and visitor who travels in, out, and through Saint Paul. A well-connected, safe, and efficient regional transportation infrastructure is critical to the economic vitality of Minnesota's Capital City and the entire state. Saint Paul's arterial and collector roadways and trail systems provide regional and national multi-modal connections that are essential for all different modes of transportation, including commercial freight, mass transit, personal vehicles, non-motorized vehicles, and pedestrians.

Aside from obvious infrastructure benefits, there are other benefits to the city and region.

Environmental improvements

Following street construction, stormwater runoff will be cleaner and treated in accordance with state and local watershed regulations, benefitting all wildlife and recreational users of the Mississippi River.

Supporting regional businesses and job creation

According to a report from the Economic Policy Institute in 2019, 10.9 jobs are created or sustained per \$1 million of investment in construction. Applying this multiplier to the \$738,000,000 of proposed road reconstruction equates to the creation or support of more than 8,000 jobs.

Investing in infrastructure projects supports regional businesses. In the past three years all heavy construction contracts for street work overseen by Saint Paul Public Works have been awarded by low bid to contractors within Minnesota. Successful contractors were from the following counties:

- Anoka
- Dakota
- Hennepin
- Le Sueur
- Ramsey
- Scott
- Washington



Dedicated sales tax funding would allow Saint Paul to optimize limited existing funds between maintenance and construction while also reallocating amongst other public infrastructure construction needs.

Q: How many annual visitors use our streets (the ones we're planning on fixing) and how many come from outside Saint Paul?

A: On average, each one of the 24 proposed improvement corridors carries approximately 3 million vehicles each year and countless travelers by other uncounted modes, including pedestrians, bicyclists, mass transit riders, and car sharing users.

Working in Saint Paul

According to US Census data, 136,148 jobs located in Saint Paul are held by people that live outside of Saint Paul. Those employees require a reliable transportation network to move between their homes and places of employment in Saint Paul.

Learning in Saint Paul

Saint Paul is the home base for seven colleges and universities that have a combined enrollment of more than 37,000 students from across the state and around the world. While many students may live in Saint Paul while they are attending school, others regularly commute from surrounding cities in the region.

Freight Shipping in Saint Paul

Saint Paul is home to the northernmost river terminals on the Mississippi River. In 2019, the Port of Saint Paul was the hub for facilitating the regional, national, and international movement and distribution of nearly 10 million tons of goods, including fertilizer, corn, soybeans, rebar, feed additives, salt, aggregate, cement, scrap metal, asphalt, and water treatment products.

The City of Saint Paul's roadway system provides a critical link to the state's freight transportation network moving goods between Minnesota and the rest of the nation by providing safe roadway infrastructure connections to other key transportation hubs such as the national highway system and the national railroad network.

Saint Paul is also home to BNSF's Saint Paul/Midway terminal, a national transit hub where 171,000 shipping containers were shipped from across the country and switched between a rail car and truck in 2016.

Whether by rail or water, intermodal freight movement methods require a substantial trucking component, concentrating heavy loads on Saint Paul's arterial system to distribute goods to the region. Large trucks transporting heavy loads put additional stress on the streets and cause more damage to the roadways. For example, the

load from a fully-loaded 18-wheeled semi is the equivalent of almost 2,000 passenger cars. Assuming the 171,000 trucks using the BNSF terminal are fully loaded 18-wheeled trucks, it would equate to more than 300,000,000 passenger cars each year using Saint Paul's local arterial network from that site alone.

Visiting Saint Paul

An estimated 7 million visitors come from all over the region to downtown Saint Paul each year to experience downtown businesses, museums, attractions, shopping, restaurants, and the entertainment district. Some examples include the Minnesota Wild, Xcel Energy Center, RiverCentre, Roy Wilkins Auditorium, Ordway, Science Museum of Minnesota, Minnesota History Center, and much more.

Several regional and national sports teams call Saint Paul their home ice or field advantage. Each year the Minnesota Wild, Minnesota United, and St. Paul Saints host more than 1.3 million visitors during their regular seasons.

The Great Minnesota Get Together annually attracts 1-2 million visitors during the 10-day Minnesota State Fair. Many visitors use Saint Paul streets to attend the Fair each year. Como Avenue serves as one of the main entrances for exhibitors and vendors to access the State Fair Grounds. In 2020, the City of Saint Paul completed several street



improvements to Como Avenue, including investing more than \$7 million in a multi-use trail. The off-street trail improves safety for all modes of transportation and provides better year-round access and usability along the corridor.

Saint Paul also hosts a number of annual events that bring hundreds of thousands of visitors from throughout the state and region together, such as Minnesota State High School tournaments, the Saint Paul Winter Carnival, the Saint Paul Art Crawl and the Saint Paul Food & Wine Experience.

PARKS

Q: What is the current replacement/maintenance schedule of our community rec centers?

A: Saint Paul Parks and Recreation is responsible for the maintenance of 39 community recreation centers, and we average the replacement of a center every five to seven years. However, despite replacing five in the last 20 years, the average facility age is still more than 40 years old.

Capital maintenance for these centers competes with the rest of the city for approximately \$2.5 million in annual capital maintenance funding. Approximately 40%,

or \$40 million of the overall maintenance backlog for the department is for community centers and as buildings continue to age, that will grow.

Currently Parks and Recreation averages over 3,800 service requests per year. Consistently over the past 15 years only 75% of this work gets completed. Moreover, the work that typically does not get resolved are items that require significant investment (ex: boilers, HVAC, roofs, lighting/ controls, elevator modernization, gym floors). These types of requests often don't fit well within the multiple CIB budgets, because of what it costs to make the appropriate repair or replacement and are often only addressed it becomes an emergency situation.

Parks and Recreation is also faced with reducing our overall energy and carbon footprint. Several sites have antiquated or obsolete systems (some HVAC systems are more than 100 years old) that will require significant investment to achieve these climate goals.

Q: How would sales tax revenue be used specifically for our parks?

A: Saint Paul has more than \$650 million in Parks and Recreation assets with the average age approaching almost 40 years

Parks and Recreation currently has \$100 million in deferred maintenance needs, with over \$60 million in critical/urgent status and another \$40 million set to reach that status in 5 years.

Buildings

- Electrical/Mechanical/Plumbing - \$34.2 million
- Roof/Doors/Windows/Structure - \$18.5 million
- Gyms/Interior - \$12.5 million

Recreation Courts: \$6.4 million

Play Areas: \$10 million

Trails and Asphalt: \$18.4 million

Without additional funding or action, the aging system will hit a critical point in just over a decade and be left with over \$150 million in unfunded liabilities.

Q: What is the regional athletic complex proposal and why is it important to fund?

Parks and Recreation has identified the need for a versatile, dedicated multi-sport/multi-use regional athletic complex that would serve Saint Paul along with visitors from the metro area and the entire state. This 21st-century facility would provide the ability to host sporting events and other large-scale programs and festivals that meet the diverse needs of our immediate community, and region.

It has become the norm for Saint Paul families and youth to travel to the suburbs



to participate in athletic events and tournaments since we do not have adequate facilities to offer these within our system.

We also receive numerous annual requests for space to host a wide variety of athletic and cultural events and festivals and are unable to fulfil those requests.

Q: What are “River Related Projects” that could be funded with sales tax revenue?

A: [River Learning Center](#) (estimated City total cost: \$66 million)

The Mississippi River Learning Center is a city-led project combining a mixed-use, river-focused space and a National Park Service headquarters at the Crosby Farm Regional Park, serving as a national gateway to the Mississippi River with year-round river learning and outdoor recreation experiences on and along Saint Paul’s river front.

[River Balcony](#) (estimated City total cost: \$115 million)

A 1.5-mile River Balcony promenade that extends along downtown Saint Paul’s signature Mississippi River bluff and riverfront. The River Balcony will transform urban infrastructure into a public space that connects parks, civic landmarks, and private development along Kellogg Boulevard. The promenade will serve as a catalyst for real estate development and raise visitor attendance to the Mississippi River area of downtown Saint Paul.

Q: How many annual visitors utilize our parks/rec centers – and how many come from outside of Saint Paul?

A: As the capital city of the 16th largest metropolitan area in the nation, and a major employment district, Saint Paul’s park and recreation system serves a large surrounding region. Saint Paul’s parks and recreation system receives an estimated fifteen (15) million visitors each year with some facilities seeing more than 80% of their usage coming from regional visitors outside of Saint Paul.

Como Park Zoo and Conservatory, for example, estimates 84% of annual visitors live outside of Saint Paul, including 22% from Greater Minnesota.

