

MEMORANDUM

To: Citizens, Property Tax Payers, and Businesses

From: Janice Rettman

Date: March 24, 2008

Re: Proposed 1/4% Sales, Auto Excise Tax and Joint Powers Board Resolutions

I would like to thank all who have contacted me or my office--via a variety of venues. Your willingness to seek information and give input on the proposed 1/4% Sales and Automobile Excise Tax is uplifting and important to participatory democracy.

In preparation for these votes and in order to respond to your inquires and input, I have researched and reviewed the legislation and all documents provided by staff and legal counsel. I equally attended the Joint Powers discussions held with all seven identified counties and Metropolitan Council.

The only two issues from the Transportation Bill in front of the Ramsey County Board are a) whether or not to impose the 1/4% Sales Tax and Auto Excise Tax, and b) whether or not to join the newly formed Joint Powers Board.

After reviewing all of the information, I believe the imposition of this 1/4% sales and auto excise tax and joining the Joint Powers Board is prudent, fiscally responsible to you, the Ramsey County taxpayers, and is far better than paying our transit needs via increased property tax levies.

I would like to review and share with you the following points:

- ✓ Previously the Ramsey County Regional Rail Authority had signed a MOU (Memorandum of Understanding) with the Met Council that committed Ramsey County taxpayers to paying, with property taxes, both a percentage of construction costs as well as on-going O & M (operations and maintenance) for Central Corridor. Thus, Ramsey County has already committed to spending property tax dollars to finance the construction and operation of light rail transit in the central corridor (University Avenue).
- ✓ Under the current funding scenario, the State's share of the project's construction cost for Central Corridor was to be about \$300 million, with Ramsey County property taxpayers contributing \$105 million of the \$150 million local share. One of the reasons I had voted against the MOU was because it was onerous on the Ramsey County taxpayers. Equally this was not a regional approach for financing a transit system and frankly put most of the control in the Met Council with minimal local input.

- ✓ Under this new legislation, the State's share increases to \$360 million, while Ramsey County's share drops to \$63 million---still a substantial share of the project costs; but represents a 40% reduction from the previous scenario.
- ✓ Under the new transportation funding legislation, Ramsey County (as well as other rail authorities) will not have to pay operation and maintenance costs out of property tax levies including Central Corridor costs.
- ✓ I have been assured by legal counsel of the following: "If the new sales tax joint powers board is established and Ramsey County is a member, then the Ramsey County Rail Authority will only be allowed to contribute up to 10% of capital costs and will be prohibited from contributing to operations. This will effectively rescind the MOU, whether or not formal action by parties is taken."
- ✓ Some have raised the issue that the Ramsey County Rail Authority has already imposed additional property taxes over the past 3 years to ramp up for the Central Corridor expenses as well as other transit corridors. During the upcoming budget discussions, it will be important to review the specifics of all prior commitments and make appropriate adjustments in light of this new transit funding source if the sales tax is imposed.
- ✓ In some ways, the legislation (sales tax) is direct property tax relief for Ramsey County property taxpayers because it does two things that move these costs onto another more appropriate funding source. It takes away all of the operations costs from the property tax payers and it caps the construction costs of the property tax contributions to 10% of the Central Corridor project costs. As an example for Central Corridor, this change will save County property taxpayers \$8 million per year for operations costs associated with this line, which equates to preventing a 4% levy increase in the out years, and immediately reduces the capital costs by 40%.
- ✓ For a median taxable value home in individual municipalities in Ramsey County, the property tax increase would have ranged between \$39 to \$139 annually for just Central Corridor's operations and maintenance.
- ✓ The plan before the County Board is to adopt a state-authorized, metro-wide sales tax of .25% in order to fund the county's portion of the construction and operation costs instead of using property tax levy. In fact, the state legislation specifically prohibits the county from using property taxes for transit operations if the sales tax is approved.
- ✓ Every person has three fundamental needs: food, clothing and shelter. Currently, food and clothing are not taxed under the sales tax laws but shelter is taxed under the property tax laws. By adopting the new sales tax, we can add shelter to the list of basic needs that would not be taxed to support transit operations.

- ✓ Property taxes are not an optional tax and for many, the transit levy would be a substantial addition. Sales taxes, on the other hand, are optional in that each person decides how badly you need the taxable item and whether or not to make the purchase.
- ✓ In addition, the property tax levy, if used, would mean that Ramsey County property taxpayers would pay the entire County portion of the cost even though many others from outside Ramsey County are expected to be transit users of the expanded transit system.
- ✓ There is a real need for public transportation in Saint Paul/Ramsey County. The state, the county and the city have determined that the light rail project should proceed; the question is what is the best way to pay for it equitably.
- ✓ This sales tax would cost 25 cents for every 100 dollars spent.

I realize the dollars being discussed still come out of our pockets. This particular public policy issue is whether or not the property tax is the appropriate funding source of ongoing transit needs. There are still many other transit specific issues surrounding Central Corridor yet to be dealt with: making sure that it is union-built on time and on budget, assuring that those who have lived and work in the area receive better transit--not less, and the system is complete with better feeder routes and adequate stations and parking.

Again, after reviewing all of the information, I believe the imposition of this 1/4% sales and auto excise tax and joining the Joint Powers Board is prudent, fiscally responsible to you, the Ramsey County taxpayers, and is far better than paying our transit needs via increased property tax levies.

Thank you for the opportunity to serve you. If you have further requests, feel free to contact me.