



December 20, 2023

Dear Community Member,

I hope this message finds you well. I want to bring your attention to a proposal that aims to address the City of Saint Paul's financial needs responsibly. On January 12, 2024, you will have the chance to vote on the following proposed new taxes to secure the future of essential services that we all rely on:

5% Additional Tax on Alcohol, Marijuana, and Tobacco Products

- This is an additional 5% tax on top of the 3.5 % sales tax on alcohol, marijuana and tobacco products that are sold on Saint Paul Island
- Estimated additional annual tax revenue for City services is \$20,000 to \$35,000

8% Additional Tax on Rental of Vehicles

- This is an additional 8% tax on top of the 3.5 % sales tax on a rental of a vehicle, ATV, heavy equipment
- Estimated additional annual tax revenue for City services is \$5,000 to \$10,000
- ***Residents and local businesses are exempt*** from paying this tax
- Tax is focused on capturing potential incoming revenue from those visiting or doing business in Saint Paul Island

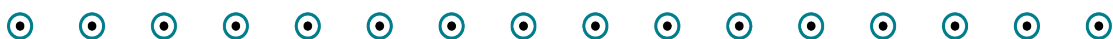
12% Additional Tax on Room Rentals

- This is an additional 12% tax on top of the 3.5 % sales tax on short term rental, 60 days or less, of a room on Saint Paul Island
- Estimated additional annual tax revenue for City services is \$20,000 to \$30,000
- Tax is focused on capturing potential incoming revenue from those visiting or doing business in Saint Paul Island

The City's mission is to provide consistent quality utilities and services while also ensuring the safety of Saint Paul Island citizens. The City's goal is a thriving, safe community with a high quality of life for current and future generations.

With the loss of associated taxes from crab processing, the revenue streams flowing into Saint Paul Island have been severely impacted by the closure of the crab fisheries for both the 2021-22 and 2022-23 seasons. On average between 2018 and 2021 the City collected almost \$2 million taxes annually for the sale of snow crab which made up about 60% of the City's general fund revenues. In 2023 and in 2024 that tax revenue is \$0.

Due to the loss of tax revenue, the City has had to make deep budgetary cuts, employee layoffs, hiring freezes, and other painful measures to try to continue to provide the same level of essential municipal



services. The City has reduced its staff from 42 to 19 employees since the crab closure in 2021. To keep services going and people employed we have had to use our limited financial investments to stabilize our finances, it cannot be sustained for an extended period. We have taken out loans, requested emergency government funding, and written dozens of grant applications seeking funding for capital improvement projects needing critical repairs and replacements. To be completely honest, we have exhausted other financial avenues.

Here's why your support is crucial:

Strengthening Essential Services: Our community depends on essential services such as public safety, water, sewer, and power utilities, infrastructure maintenance, and more. Historically, fish tax revenues have been used to subsidize services and utility rates. Without additional resources, we risk compromising the quality and effectiveness of services that are fundamental to our daily lives.

Economic Challenges: We face economic challenges that impact our ability to adequately fund essential services. The proposed new tax is a responsible and transparent approach to securing the financial resources needed to bridge budget gaps and ensure the continued delivery of vital services.

Visitor Impact: It's only fair that visitors contribute to the maintenance and enhancement of the services and infrastructure that make their stay enjoyable. With this new short-term room and vehicle rental taxes, we can harness the economic power of tourism to reinvest directly into our community.

Local Resident Relief: By taxing non-residents, this targeted approach aims to shield residents from the direct impact of a tax increase while still generating the necessary revenue to support essential services and community development.

Diversifying Revenue Streams: Dependence on a single revenue source can be risky. By diversifying our funding streams through a tax on alcohol, marijuana, and tobacco, we create a more stable financial foundation for essential services.

Health-Conscious Funding: Taxing alcohol, marijuana, and tobacco aligns with a broader public health strategy. It not only generates revenue for essential services but also discourages excessive consumption of substances that can have negative health and legal impacts.

Your support for this targeted tax increase is pivotal in ensuring a fair and sustainable financial future for our community. Together, we can invest in our community's well-being and strengthen essential services.

On January 12, 2024 between 8:00 am and 8:00 pm at the Rec Hall, please join your fellow community members in voting YES for the 3 proposed new taxes.

Thank you for your time, and we appreciate your commitment to the future of our community.

Respectfully,



Jacob N. Mercurief, Mayor