



September 15, 2020

TO: Municipal Revenues Policy Committee Members
FROM: Patrick Trudgeon, Committee Chair and City Manager, Roseville
SUBJECT: Meeting Notice and Agenda

Tuesday, September 22, 2020

9:00 am – 11:30 am

Virtual Meeting

Join Zoom Meeting

<https://zoom.us/j/99928370756?pwd=M2MyWFdhYkRhdUdoQXdmeEJNY0oydz09>

◆ Thank you for agreeing to be a policy committee member!

Attached are the materials for the third Municipal Revenues Policy Committee meeting. Please take the time to review the packet in advance of the meeting and bring your ideas and suggestions.

AGENDA

1. Call to order.
2. Approval of minutes for the August 18, 2020 meeting.
3. **Presentation: *Brittney Kohler, National League of Cities: Update on Federal COVID-19 Assistance for Cities***
4. Review policy committee memo (*enclosed*) and memo regarding ad hoc race equity committee and policy committee questions (*enclosed*).
5. Discussion of policies and suggested modifications.
6. Discuss additional suggestions for policies, and issues for future consideration.
7. Other business.
8. Adjourn.

METRO CITIES 2020 POLICY COMMITTEES

Zoom Meeting Instructions and Committee Etiquette

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We ask that you **log in by computer** if at all possible and only call in with a phone if it is absolutely necessary. If you are calling in, please make sure to use a phone with adequate quality and connectivity.

DURING THE MEETING:

Unless you are speaking, please mute your microphone to help minimize background noise. If you can, wear a headset or use AirPods to improve audio quality and minimize background noise and echoes.

Please type in your first and last name and your city/organization **when logging into** the Zoom meeting. This information will appear in the ‘gallery view’. This will also help us identify who is in attendance.

Before speaking, **please identify yourself with your first and last name**. This helps to discern who is addressing the committee.

Questions, ideas and discussion are welcome throughout the meeting. Please **use the chat function** to be recognized for ideas, questions and discussion.

MUNICIPAL REVENUES POLICY COMMITTEE

TUESDAY, SEPTEMBER 22ND, 2020: 9:00 – 11:30 a.m.

Join Zoom Meeting

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Municipal Revenues

Minutes for Meeting of August 18, 2020

Present: Patrick Trudgeon, Brooke Bordson, Sarah Brown, Daniel Buchholtz, Gary Carlson, Lori Economy-Scholler, LaTonia Green, Dana Hardie, Chris Heineman, Tom Lawell, Melanie Mesko Lee, Fatima Moore, Darin Nelson, Alysén Nesse, Amanda Novak, Loren Olson, Candy Petersen, Christian Taylor, Nyle Zikmund, ThaoMee Xiong, Mark McNeill, Kris Amundson, Patricia Nauman, Steve Huser, Charlie Vander Aarde, Jennifer Dorn.

Chair Trudgeon called the meeting to order at 9:00 am.

Motion by Lawell, seconded by Buchholtz to approve minutes for the meeting of July 21, 2020. Motion adopted.

The committee heard a presentation from Senate Fiscal Analyst Eric Nauman regarding the state budget, budget reserve policy, and un-allotment laws. Mr. Nauman discussed the \$2.4 billion deficit and stated that the budget reserve is currently at \$2.37 billion. Mr. Nauman discussed state general and non-general fund appropriations and trends in spending. Mr. Nauman described state un-allotment statutes, and situations in which un-allotments have occurred. Ms. Amundson asked if a governor has ever used un-allotment without depleting the budget reserve first. Mr. Nauman said not to his knowledge has a Governor used un-allotment without depleting the budget reserve. Mr. Lawell asked if a state of emergency gives the governor any powers over finances. Mr. Nauman replied that a state of emergency does not give the Governor any additional power over finances. Ms. Nauman asked if appropriations constitutionally set are subject to un-allotment. Mr. Nauman stated in theory yes, but typically these are not the first things a governor would likely look to before undertaking other options.

Chair Trudgeon reviewed policies with and without proposed changes. Ms. Nauman reviewed policies: 1-A, 1-D, 1-E, 1-F, 1-G, 1-H, 1-I, 1-J, 1-K, 1-L, 1-M, 1-N, 1-O, 1-Q, 1-R, 1-S, 1-T, 1-U, 1-V, 1-W, 1-X, 1-Z. Motion by Ms. Economy-Scholler, seconded by Mr. Heineman, to adopt the policies in as proposed. Motion adopted.

Ms. Nauman discussed proposed edits to policies 1-C, 1-P and 1-Y. Mr. Buchholtz reiterated the importance of protecting city fund balances. Motion by Ms. Petersen, seconded by Mr. Buchholtz, to adopt the policies with the modifications. Motion adopted.

Ms. Nauman introduced new proposed policies:

1-B- COVID-19 Pandemic Assistance: Ms. Nauman reviewed the policy language and support for assistance to cities from the state and federal levels of government. She discussed the efforts of Metro Cities to advocate for CRF and other assistance as cities work to respond to the pandemic. Mr. Nelson supports the language. Ms. Nauman discussed the work Metro Cities is doing to get additional flexibility with the November 15 spending deadline for cities with CRF funds. Chair Trudgeon asked for clarification on Treasury or MMB guidance. Ms. Nauman said Metro Cities has emphasized the federal guidance and updates when advocating for cities on the CRF funds and stated the November 15th deadline was set by the state. Chair Trudgeon stated staff will continue to draft the language for this policy.

1-AA- Workers Compensation: Ms. Nauman reviewed the language and noted the suggestion for this language was made by Mendota Heights. Mr. McNeill stated this issue has been raised by Mendota Heights, but that this is an issue for many cities in retaining and supporting officers. Chair Trudgeon said

it is a very important issue. Mr. McNeill stated he will have additional language to bring back at the third meeting.

Chair Trudgeon stated that policies 1-B and 1-AA will be brought back for the third meeting. Chair Trudgeon opened the floor to ideas for additional new policies or modifications.

Ms. Nauman provided information on the Ad Hoc Race Equity committee created by the Board of Directors and said the committee will meet prior to the September policy committee meetings.

The meeting adjourned at 10:15 a.m.

September 15, 2020

TO: Municipal Revenues Policy Committee Members
FROM: Patricia Nauman, Executive Director
RE: September 22nd Policy Committee Memo

Welcome to the third and final meeting of the Municipal Revenues Policy Committee. At the August meeting, the committee adopted policies without suggested modifications as well as some policies with suggested edits.

Brittney Kohler, a Legislative Director with the National League of Cities, will provide an update on the status of federal COVID-19 assistance legislation. Ms. Kohler will join us at the beginning of the meeting for a brief presentation.

All policies were adopted at the August meeting with the exception of a new proposed Policy 1-B, Federal and State COVID-19 Assistance and a proposed Policy 1AA - Workers' Compensation. Please see the attached policy document. The document notes policies that have been adopted and contains proposed policy language for the new policy 1-B. Staff has done additional drafting work on the language of this policy to reflect the August committee discussion, specifically the language regarding the November 15th deadline for the spending of CRF funds by cities.

Mark McNeill, Mendota Heights provided proposed language last month for a new 1AA policy on workers' compensation. At this point, work on a potential policy is ongoing and the initial language provided last month is withdrawn for now as further work continues. If a new draft is ready to be provided prior to the meeting, it will be sent as an amendment to the packet.

We look forward to seeing you next Tuesday.

September 15, 2020

TO: Municipal Revenues Policy Committee
FROM: Patricia Nauman, Executive Director
RE: Committee Questions and Draft General Policy on Race Equity

This summer the Metro Cities Board of Directors created an ad hoc race equity committee and unanimously approved a scope of work and committee makeup. Volunteers came forward from the four legislative policy committees, and the committee includes a cross section of member cities. This committee's scope of work will be to identify resources local officials can use in addressing race equity, partnering with the League of Minnesota Cities on joint race equity work, and developing a process for policy committees to use in considering legislative policies through a race equity lens.

The committee, at its first meeting, voted to recommend language for a general race equity policy that was forwarded to Metro Cities' General Government Committee for consideration. The language of the policy is attached for your information.

As it begins considering recommendations for future policy committees on using a race equity lens, the ad hoc committee recommends that policy committee members give thought to two questions in advance of the September policy committee meetings:

- ***Are there two or three existing legislative policies that you would recommend be considered using a race equity lens?***
- ***Are there other policies you would like to see the committee consider in the future with respect to race equity?***

The ad hoc committee will continue to discuss and consider recommendations for Metro Cities' policy development. These initial questions were recommended as first steps for committees to use in their own work and in considering legislative policies through an equity lens.

We look forward to seeing you next week.

NEW POLICY: RACE EQUITY (forwarded to General Government Committee)

In the seven-county metropolitan region, people of color represent 29% of the population, and this percentage is expected to grow to 40% by 2040, according to the current population forecast from the Metropolitan Council. As racial and ethnic diversity increases in the region, people of color continue to experience significant barriers in housing, employment, criminal justice, public infrastructure, health, and education, and disparities are becoming more apparent with the COVID-19 pandemic and civil unrest that is occurring in many communities.

Across the metropolitan region, many cities are working to examine local policies and systems, to revise the delivery of public services, and to allocate resources to help advance race equity. All levels of government as well as the nonprofit and business sectors have roles to play in addressing race inequities and must work collaboratively to ensure that services and resources are considered, designed and implemented in a comprehensive, purposeful, informed and inclusive way to achieve race equity.

Metro Cities supports:

- **An examination and revision of existing state, regional, county and city laws, ordinances and policies to address racial disparities;**
- **State, regional, county and city resources to assist with comprehensive data collection, disaggregation and sharing to ensure informed policy and funding decisions at all levels of government;**
- **Funding to assist in the development of tools and resources that advance racially equitable outcomes;**
- **Activating partnerships among state, regional, and local governmental institutions and other entities to advance race equity.**

1 **1-A State and Local Fiscal Relationship**

ADOPTED

2 A strong, functional state and local fiscal relationship must emphasize adequacy, equitability,
3 sustainability and accountability for public resources and effective communication among the
4 state, cities, and public. An effective partnership must also emphasize practices that strengthen
5 collaboration and partnership between the state and local units of government.
6

7 Services provided by cities are traditionally funded through a combination of property taxes, fees
8 and state aids. Increasingly, cities are bearing more costs for services that have historically been
9 the responsibility of the state.

10
11 **Metro Cities supports a strong state and local fiscal partnership that emphasizes the**
12 **following:**

- 13
14 • **Strong financial stewardship and accountability for public resources that**
15 **emphasizes maximizing efficiencies in service delivery and effective communication**
16 **between the state and local units of government and the public.**
 - 17
18 • **Reliable, stable and adequate revenue sources including the property tax and local**
19 **government aids, and dedicated funds to meet specific local government needs. Metro**
20 **Cities opposes diverting dedicated funds or local aids for the purpose of balancing state**
21 **budgets.**
 - 22
23 • **Sufficient revenue sources available to cities that allow cities to address local needs**
24 **and citizens to receive adequate services at relatively similar levels of taxation, and that**
25 **maintain local, regional and state economic vitality and competitiveness.**
 - 26
27 • **Full state funding to cover mandates enacted by the state, and flexibility for local**
28 **governments in implementing state mandates to ensure local costs are minimized.**
 - 29
30 • **Local decision-making authority with regard to the terms and conditions of**
31 **employment for local government employees, including compensation, recognition, and**
32 **benefit decisions.**
 - 33
34 • **Adequate and timely notification regarding new legislative programs or**
35 **modifications to existing state programs or policies to allow cities sufficient time to plan for**
36 **implementation and to manage any effects on local budgeting processes.**
 - 37
38 • **Support for cooperative purchasing arrangements between the state and local units**
39 **of government. Such arrangements must be structured to be able to address unexpected**
40 **delays or other challenges in the procurement of goods, so that any disruptions to local**
41 **government operations and services that may result from such delays are minimized. State**
42 **officials should seek local feedback in the vetting of product vendors.**
- 43

- 44 • **The concept of performance measuring, but opposition to using state established**
45 **measurements to determine the allocation of state aids to local governments or restrict the**
46 **ability of local governments in establishing local budgets and levies.**

47 **1-B COVID-19 Pandemic Assistance (New Policy)**

48 In response to the COVID-19 pandemic Governor Walz, using the Legislative Advisory
49 Commission and following recommendations made earlier this year by the Legislature,
50 distributed \$841.4 million of the state’s allocation of the Coronavirus Relief Fund to cities,
51 counties and townships. Metro Cities supported the distribution of this funding. These funds are
52 allowed for unbudgeted expenses needed to address the COVID-19 pandemic, including certain
53 personnel costs and local service and operational improvements and modifications required to
54 ensure public health and safety. Metro Cities is monitoring updates to federal guidance and
55 providing feedback to state officials as municipalities certify local COVID-19 expenses.

56
57 Metro Cities recognizes the state-imposed deadline of November 15, 2020 by which cities must
58 spend their CRF distribution so that any unused and returned funds can be repurposed prior to
59 the federal deadline of December 30, 2020 for CRF expenditures. The deadline, however, is
60 tightly abbreviated, and cities support modifications to this deadline to be able to cover eligible
61 costs that cannot be paid by the November 15th deadline.

62
63 With new federal guidance that now allows CRF recipients an additional 90 days beyond
64 December 30, 2020 to spend funds, Metro Cities supports a modification of the November 15,
65 2020 deadline to allow cities to retain funds for encumbered expenses that will come due by
66 December 30, 2020 but are not yet paid by November 15, 2020. This will provide cities with the
67 ability to use CRF funds for federally eligible expenses that may require additional time to be
68 paid beyond November 15, 2020.

69
70 Metro Cities supports additional federal assistance to municipalities to address revenue losses
71 including property taxes, utility and permit fees, local sales taxes and other revenue streams,
72 resulting from the COVID-19 pandemic.

73
74 Metro Cities supports state financial assistance to address the long-term financial effects of the
75 pandemic on local government budgets and revenues, and changes to state laws to allow cities
76 temporary flexibility in the use of unobligated tax increment financing (TIF) increment and
77 unobligated local sales and lodging tax revenues, to address local financial challenges resulting
78 from the pandemic. (language drafted by staff)

79 **1-C Revenue Diversification and Access** **ADOPTED AS AMENDED**

80 **Metro Cities supports a balanced and diversified revenue system that acknowledges diverse**
81 **city characteristics, needs and revenue capacities and allows for greater stability in**
82 **revenues.**

83
84 Metro Cities is monitoring ~~will monitor~~ the effects of 2019 laws that modified statutory

85 requirements for local option sales taxes, and ~~Metro-Cities~~ continues to support the ability of
86 a city to impose a local option sales tax for public improvements and capital replacement
87 costs using local processes specified ~~determined~~ by law but without the need for special
88 legislation. Metro Cities supports having local sales tax referendums conducted at a general
89 or special election.

90

91 The Legislature should recognize equity considerations involved with local sales taxes and
92 continue to provide aids to cities that have high needs, overburdens and/or low fiscal capacity.

93

94 Metro Cities supports a modification to state laws governing local lodging taxes to allow
95 cities to impose up to a five percent local lodging tax, and the ability of cities to modify the
96 uses of revenues to meet local needs.

97

98 Metro Cities supports current laws providing for municipal franchise fee authority and
99 opposes statutory changes such as reverse referendum requirements or other constraints
100 that would reduce local authority and flexibility for establishing, amending, or renewing
101 franchise fees and interfere with local public processes and goals for establishing such fees.

102

103 **1-D Restrictions on Local Government Budgets ADOPTED**

104 Metro Cities strongly opposes levy limits, reverse referenda, super majority requirements
105 for levy and valuation freezes, or other restrictions on local government budgeting and
106 taxing processes. Such restrictions undermine local budgeting and taxing processes, planned
107 growth, and the relationship between locally elected officials and their residents by allowing the
108 state to decide the appropriate level of local taxation and services, despite varying local
109 conditions and circumstances.

110

111 **1-E Budget and Financial Reporting Requirements ADOPTED**

112 State laws require cities to prepare and submit or publish numerous budget and financial reports.
113 These requirements often create significant costs to cities, and some requirements result in
114 duplication. Additional reporting requirements should have a clearly defined statement of public
115 purpose and need not covered under existing requirements and should balance the need for
116 additional information with the costs of compiling and submitting the information.

117

118 Considering the numerous existing reporting requirements, Metro Cities supports reducing
119 the number of mandated reports. Metro Cities supports efforts to consolidate municipal
120 government financial reporting requirements in the Office of the State Auditor, including
121 an electronic submission alternative to any remaining paper filing requirements, and to
122 authorize the use of web publication where newspaper publication is currently required.

123

124 **1-F Local Government Aid (LGA) ADOPTED AS AMENDED**

125 **Metro Cities supports the city Local Government Aid (LGA) program as a means of**
126 **ensuring cities remain affordable places to live and work while meeting basic public service**
127 **needs of residents and businesses.**

128
129 Metro Cities’ policies recognize that the state’s prosperity and vitality depend significantly upon
130 the economic strength of the metropolitan region, and that cities within the region play critical
131 roles in fostering the economic development, job creation and business expansion that underpin
132 the state’s economic health.

133
134 **Metro Cities supported 2013 statutory modifications to the LGA program to better address**
135 **the needs of cities across the state and of metropolitan cities in their support of the state’s**
136 **economic growth. Metro Cities continues to support a formula-based LGA program that**
137 **recognizes variances in city characteristics and capacities and emphasizes stability in the**
138 **distribution of aids.** While the 2013 modifications improved LGA formula factors to better
139 recognize city needs and capacities, the distribution of aid continues to be geographically
140 disparate and unstable for some cities.

141
142 **Metro Cities supports further examination of the LGA formula to ensure that metropolitan**
143 **city needs are adequately addressed in the LGA formula, and opportunities for input by**
144 **metropolitan city officials as program modifications are considered.**

145
146 **To ensure appropriation levels are adequate to meet program objectives, Metro Cities**
147 **supports increasing the LGA appropriation to address cities’ unmet need as defined by the**
148 **LGA formula as well as increases in the LGA appropriation to account for inflation.** By
149 way of reference, the total need identified in the LGA formula for 2020 is estimated at
150 \$807.7million, 776.4 million, whereas the current funding is set at \$560.3 million, putting the
151 remaining need at \$247.4 212.0 million.

152
153 **Metro Cities supports formula-based allocations for increases to the LGA appropriation,**
154 **and opposes freezes of the LGA appropriation, reductions of LGA for balancing state**
155 **budget deficits, and diversions of the LGA appropriation to other purposes or entities.**
156 **Metro Cities also opposes artificial limits or reductions that single out specific cities, and**
157 **further opposes using LGA as financial leverage to influence particular activities and**
158 **policy decisions at the local level.**

159

160 **1-G State Property Tax Relief Programs** **ADOPTED**

161 **Metro Cities supports state funded property tax relief programs paid directly to homestead**
162 **property taxpayers such as the “circuit breaker” program and enhanced targeting for**
163 **special circumstances. Metro Cities also supports the renter’s credit program. Metro Cities**
164 **supports an analysis of the state’s property tax relief programs to determine their**
165 **effectiveness and equity in providing property tax relief to individuals and families across**
166 **the state.**

167
168 **Metro Cities supports efforts by the Minnesota Department of Revenue to expand outreach**

169 **and notification efforts about state property tax relief programs to homeowners, and**
170 **notifications to local units of government to support such efforts. Metro Cities also**
171 **supports legislative modifications to make tax relief payments to taxpayers automatic.**

172
173 **Metro Cities supports the use of the Department of Revenue’s “Voss” database to link**
174 **income and property values, and the consideration of income relative to property taxes**
175 **paid in determining eligibility for state property tax relief programs.** Updates to the database
176 should occur in a timely manner and data reviewed periodically to ensure the database’s
177 accuracy and usefulness.
178

179 **1-H Property Valuation Limits/Limited Market Value ADOPTED**

180 **Metro Cities opposes the use of artificial limits in valuing property at market for taxation**
181 **purposes, since such limitations shift tax burdens to other classes of property and create**
182 **disparities between properties of equal value.**
183

184 **1-I Market Value Homestead Exclusion Program (MVHE) ADOPTED**

185 The Market Value Homestead Exclusion Program (MVHE) provides property tax relief to
186 qualifying homesteads, through reductions in property tax values, which shifts property taxes
187 within jurisdictions. The MVHE replaced a former Market Value Homestead Credit Program,
188 which provided credits on local government tax bills to qualifying properties, with
189 reimbursements provided by the state to local governments.
190

191 **Metro Cities opposes restoration of the former Market Value Homestead Credit, as**
192 **reimbursements to local governments were inconsistent, and encourages further study of**
193 **the exclusion program, with input by city officials, to determine the program’s overall**
194 **efficacy and its effects on local tax bases.**
195

196 **1-J Metropolitan Area Fiscal Disparities Program ADOPTED**

197 The Metropolitan Area Fiscal Disparities Program, enacted in 1971, was created for the purposes
198 of:

- 199
- 200 • providing a way for local governments to share in the resources generated by the growth
201 of the metropolitan area without removing existing resources;
- 202
- 203 • promoting orderly development of the region by reducing the impact of fiscal
204 considerations on the location of business and infrastructure;
- 205
- 206 • establishing incentives for all parts of the area to work for the growth of the area as a

207 whole;

208

209 • helping communities at various stages of development; and

210

211 • encouraging protection of the environment by reducing the impact of fiscal

212 considerations to ensure protection of parks, open space and wetlands.

213

214 **Metro Cities supports the Fiscal Disparities Program. Metro Cities opposes any diversion**

215 **from the fiscal disparities pool to fund specific state, regional or local programs, goals or**

216 **projects as such diversions contradict the purposes of the program.**

217

218 Legislation that would modify or impact the fiscal disparities program should only be considered

219 within a framework of comprehensive reform efforts of the state's property tax, aids and credits

220 system. Any proposed legislation that would modify or impact the fiscal disparities program

221 must be evaluated utilizing the criteria of fairness, equity, stability, transparency and coherence

222 in the treatment of cities and taxpayers across the metropolitan region and must continue to serve

223 the program's intended purposes.

224

225 **Metro Cities opposes legislation that would allow for capturing and pooling growth in**

226 **residential tax capacity to fund specific programs or objectives.**

227

228 Further studies or task forces to consider modifications to the fiscal disparities program must

229 include participation and input from metropolitan local government representatives.

230

231 **1-K Constitutional Tax and Expenditure Limits**

ADOPTED

232 **Metro Cities strongly opposes including tax and expenditure limits in the state constitution,**

233 **as such limits eliminate flexibility by the Legislature or local governments to respond to**

234 **unanticipated critical needs, emergencies, or fluctuating economic situations.**

235

236 When services such as education, public safety and health care require increased funding beyond

237 the overall limit, other publicly funded services potentially stand to receive inadequate resources.

238 Constitutional limits result in reduced revenue bases during times of economic downturn and the

239 inability to recover to previous service levels when economic prosperity returns.

240

241 **1-L State Property Tax**

ADOPTED

242 The state levies a property tax on commercial/industrial and cabin property. **Since cities' only**

243 **source of general funds is the property tax, Metro Cities opposes extension of the state**

244 **property tax to additional classes of property. Metro Cities opposes using the state**

245 **property tax to fund specific programs or objectives generally funded through state income**

246 **and sales tax revenue.**

247

248 **In the interest of increasing transparency, Metro Cities supports efforts to have the state**
249 **provide information on the property tax statement regarding the state property tax. Metro**
250 **Cities opposes exempting specific classes of property under the tax as such exemptions shift**
251 **the costs of the tax onto other classes of property.**
252

253 **1-M Class Rate Tax System ADOPTED**

254 **Metro Cities opposes elimination of the class rate tax system or applying future levy**
255 **increases to market value since this further complicates the property tax system.**
256

257 **1-N Regional Facility Host Communities ADOPTED**

258 Municipalities hosting regional facilities such as utilities, landfills or aggregate mining incur
259 costs and effects such as environmental damage or lost economic development opportunities.
260 Communities should be compensated to accommodate the effects of facilities that provide
261 benefits to the region and state. **Metro Cities supports legislative efforts to offset the negative**
262 **effects of these facilities and activities on host communities.** Metro Cities would prefer that
263 municipalities be allowed to collect a host fee that may be adjusted when state decisions affect
264 those fees.

265 **1-O Sales Tax on Local Government Purchases ADOPTED**

266 **Metro Cities supported the 2013 reinstatement of the sales tax exemption for purchases of**
267 **goods and services made by cities.** This reinstatement does not apply to all local government
268 purchases.
269

270 To ensure citizens receive the full benefit of this exemption, the law should treat purchases of all
271 local government units the same, including purchases made by special taxing districts, joint
272 powers entities, or any other agency or instrumentality of local government.
273

274 **Metro Cities supports simplifying the process on the exemption for construction materials**
275 **that is complex and cost ineffective or converting the process to a refund program.**
276

277 **Metro Cities supports granting an extension of the motor vehicle sales tax exemption to all**
278 **municipal vehicles that are used for general city functions and are provided by**
279 **governmental entities.** Currently, only certain vehicles, including road maintenance vehicles
280 purchased by townships, and municipal fire trucks and police vehicles not registered for use on
281 public roads, are exempt from the MVST.

282 **1-P City Revenue Stability and Fund Balance ADOPTED AS AMENDED**

283 **Metro Cities opposes state attempts to control or restrict city fund balances, or to use city**

284 **fund balances as a rationale for reducing state aids or property tax payment delays.** These
285 funds are necessary to maintain fiscal viability, meet unexpected or emergency resource needs,
286 purchase capital goods and infrastructure, provide adequate cash flow and maintain high level
287 bond ratings.

288 **1-Q Public Employees' Retirement Association (PERA) ADOPTED**

289 **Metro Cities supports employees and cities sharing equally in the cost of necessary**
290 **contribution increases and a sixty percent employer/forty percent employee split for the**
291 **PERA Police and Fire Plan. Metro Cities also supports state assistance to local**
292 **governments to cover any additional contribution burdens placed on cities over and above**
293 **contribution increases required by employees.** Cities should receive sufficient notice of these
294 increases so that they may take them into account for budgeting purposes.

295
296 **Metro Cities opposes benefit improvements for active employees or retirees until the**
297 **financial health of the PERA General Plan and PERA Police and Fire Plan are restored.**

298
299 **Metro Cities supports modifications to help align PERA contributions and costs, and**
300 **reduce the need for additional contribution increases, including a modification of PERA**
301 **eligibility guidelines to account for temporary, seasonal and part-time employment**
302 **situations, the use of pro-rated service credit and a comprehensive review of exclusions to**
303 **simplify eligibility guidelines.** Further employer contribution rate increases should be avoided
304 until other cost alignment mechanisms are considered.

305
306 **Metro Cities supports cities and fire relief associations working together to determine the**
307 **best application of State Fire Aid.** Flexibility in the application of State Fire Aid, where
308 combination departments exist, will ensure that fire services can be provided in the most cost-
309 effective means possible.

310
311 **Regarding police pension contributions, Metro Cities supports a proactive review of factors**
312 **contributing to the financial status of police and fire pension plans, to ensure that**
313 **structural adjustments are considered in conjunction with potential increases in employee**
314 **and employer contribution rates.** Specifically, an area that could be considered is contractual
315 overtime impacts on pension levels.

316
317 **Metro Cities supports removing the sunset of the PERA aid that is paid to local units of**
318 **government to help address increased employer contribution costs.**

319 **1-R State Program Revenue Sources ADOPTED**

320 **Metro Cities opposes any attempt by the state to finance programs of statewide value and**
321 **significance, that are traditionally funded with state revenues, with local revenue sources**
322 **such as municipal utilities or property tax mechanisms. Statewide programs serve**
323 **important state goals and objectives and should be financed through traditional state**
324 **revenue sources such as the income or sales tax.**

325
326 **Metro Cities further opposes substituting traditionally state funded programs with funding**
327 **mechanisms that would disparately affect taxpayers in the metropolitan area.**

328 **1-S Post-Employment Benefits** **ADOPTED**

329 **Metro Cities supported statutory changes that allow local governments to establish trusts**
330 **from which to fund post-employment health and life insurance benefits for public**
331 **employees, with participation by cities on a strictly voluntary basis, in recognition that**
332 **cities have differing local needs and circumstances.** Cities should also retain the ability to
333 determine the level of post-employment benefits to be provided to employees.
334

335 **1-T Health Care Insurance Programs** **ADOPTED**

336
337 **Metro Cities supports legislative efforts to control health insurance costs but opposes**
338 **actions that undermine local flexibility to manage rising insurance costs.** Metro Cities
339 encourages a full examination of the rising costs of health care and the impacts on city employers
340 and employees. **Metro Cities also supports a study of the fiscal impacts to both cities and**
341 **retirees of pooling retirees separately from active employees.**
342

343 **1-U State Budget Stability** **ADOPTED**

344 **Metro Cities strongly supports a state revenue system that provides for stability, flexibility**
345 **and adequacy in the system, reduces the volatility of state revenues and improves the long-**
346 **term balance of state revenues and expenditures. Metro Cities supports a statutory budget**
347 **reserve minimum that is adequate to manage risks and fluctuations in the state's tax**
348 **system and a cash flow reserve account of sufficient size so that the state can avoid short**
349 **term borrowing to manage cash flow fluctuations.**

350
351 **Metro Cities also supports an examination of the property tax system and the relationships**
352 **between state and local tax bases, with an emphasis on state budget cuts and effects on**
353 **property taxes.** State budget deficits must be balanced with statewide sources and must not
354 further reduce funding for property tax relief programs and aids to local governments that result
355 in local governments bearing more responsibility for the costs of services that belong to the state.
356

357 **1-V Taxation of Electronic Commerce** **ADOPTED**

358 **Metro Cities supports efforts to develop a streamlined sales and use tax system to simplify**
359 **sales and use tax collection and administration by retailers and states. Metro Cities**
360 **supports policies that encourage remote retailers to collect and remit state sales taxes in**

361 **states that are complying with the Streamlined Sales and Use Tax Agreement.**

362

363 **Metro Cities opposes legislation that allows accommodation intermediaries such as online**
364 **travel companies a tax exemption that terminates obligations to pay hotel taxes to state and**
365 **local governments, or otherwise restricts legal actions by states and localities. The**
366 **Legislature in 2011 clarified that these services are subject to state sales tax. Metro Cities**
367 **supports statutory changes to further clarify that all lodging taxes, whether administered**
368 **by the state or locally, apply to total charges, including charges for services provided by**
369 **accommodation intermediaries.**

370

371 **1-W Payments for Services to Tax Exempt Property ADOPTED**

372 **Metro Cities supports city authority to collect payments from tax exempt property owners**
373 **to cover the costs of services to those entities, similar to statutory authority for special**
374 **assessments. Metro Cities opposes legislation that would exempt nonprofit entities from**
375 **paying user fees and service charges.**

376

377 **1-X Proceeds from Tax Forfeited Property ADOPTED**

378 **Metro Cities supports changes to state laws governing the proceeds for tax forfeited**
379 **properties.** Currently, counties can recover administrative costs related to a property before
380 other allocations are made and the law allows for the county to recoup a percentage of
381 assessment costs once administrative costs are allocated. The result is often no allocation or a
382 very low allocation, and usually insufficient level of proceeds available for covering special
383 assessments, unpaid taxes and fees to cities. State processes addressing tax-forfeited properties
384 can have implications for local land use plans and requirements and can result in unexpected and
385 significant fiscal impacts on local communities. The current process also does not require the
386 repayment of unpaid utility charges or building and development fees.

387

388

389 **Metro Cities supports statutory changes that balance repayment of unpaid taxes and**
390 **assessments, utility charges and other fees and that more equitably allocates the**
391 **distribution of proceeds between counties and cities.**

392 **1-Y Vehicle Title and Registration System (VTRS) ADOPTED AS AMENDED**

393 Issues associated with the rollout of the state MN Licensing and Registration System
394 (MNLARS) have caused significant unanticipated and ongoing disruptions to services provided
395 by local deputy registrars. Some registrar offices have relied on other local revenues, such as the
396 property tax, to manage normal expenses due to unresolved glitches in the system and a shift
397 from the state to the local level for additional processing time. These challenges have also
398 created a high potential for negative public perceptions on local government services, on an issue
399 over which local governments have no ability to control.

400
401 In 2019, state officials elected to replace the MNLARS system with the Vehicle Title and
402 Registration System (VTRS). ~~As transition to the new system occurs, Metro Cities continues~~
403 ~~to~~ **supports state funding to compensate local deputy registrars for any unanticipated,**
404 **increased costs associated with implementation of the new system,** and the shifting of per-
405 transaction processing burdens that may result from the implementation of VTRS.

406
407 As the state works to identify efficiencies in the vehicle registration process and system, policy
408 makers must consider the effects of changes on the financial viability of deputy registrars
409 resulting from decreases in transaction fees collected by local registrars.

410
411 **Metro Cities supports a ~~consideration of~~ increases to existing transaction fee levels that are**
412 **set by state law, to ensure that local deputy registrars can sufficiently function and meet**
413 **continually evolving local registrar service needs and address any necessary modifications**
414 **to registrar operations to ensure these services can be provided safely to the public.**

415 **1-Z Special Assessments**

ADOPTED

416 When property owners challenge special assessments based on application of the special benefit
417 test, some courts have interpreted “benefits received” to mean the one-year increase in property
418 value that is directly attributable to a construction project. There is currently no consistency
419 between state laws and rulings by some courts on the term “benefits received”. **Metro Cities**
420 **supports modifications to state laws governing special assessments for construction projects**
421 **or other improvements arising from legislative authority to clarify the definition of**
422 **“benefits received”.** The modified definition should more closely align with how special
423 assessments are calculated and recognizes that the benefit of the improvement to a property may
424 be realized over time and not within one year.