



Legislation Text

File #: Res. 2020-011, **Version:** 1

City Council Meeting Date: January 21, 2020

To: Mayor and City Council
City Administrator

From: Ben Martig, City Administrator

Consideration of Resolution Supporting the Authority to Impose a Local Sales Tax to Fund Specific Capital Improvements Providing Regional Benefit, to Establish the Duration of the Tax and the Revenue to be Raised by the Tax, and to Authorize the City to Issue Bonds Supported by the Tax Revenue.

Action Requested:

Staff recommends approval of the Resolution Supporting the Authority to Impose a Local Sales Tax to Fund Specific Capital Improvements Providing Regional Benefit, to Establish the Duration of the Tax and the Revenue to be Raised by the Tax, and to Authorize the City to Issue Bonds Supported by the Tax Revenue.

Summary Report:

The City Council has expressed interest to consider options related to a local options sales tax for parks and recreation purposes. There was interest in various regional park improvements such as potential *River Corridor Parks Improvements* (potential examples as Riverwalk, Ames, Bridge Square, Lion's Riverside, Cannon River Regional Park, Babcock, etc.). Additionally, there was interest to explore some regional parks improvements around *Sports, Health and Recreation* (potential examples such as Seclar, Spring Creek Park, NCRC/FiftyNorth senior recreation, Memorial Park, possible regional railway enhancement and potentially ice arena related improvements). Projects related to these would relate to accessibility, aesthetics and function.

Staff received some feedback from Council on potential projects of interest. Staff is still evaluating a detailed description of the project (or projects) description to present as an option for council to incorporate into the resolution. We are also taking into consideration the State law implications and intent as it relates to defining these projects. A draft resolution is included in the packet but does not include detailed project descriptions. Staff intends to provide a supplemental memo resolution to consider that may also include alternatives.

Fieldstone Research is continuing to compile results of the Community Parks and Recreation survey. They have indicated that they intend to have a draft report that will be distributed to council by the end of the day Monday.

Background

The City Council had expressed interest to further pursue this option during the 2020 budget development process as a way to increase parks and recreation capital improvements. As we previously discussed, the new State law requires a detailed Council resolution to be approved by the end of January should we want to pursue the possibility of a special referendum question in November. Staff provided a short update on the topic at the January 7th meeting including information on the survey that has been mailed to residents. Additional

discussion occurred at the January 14th Council meeting.

City Parks and Recreation Survey

In December, staff worked with [Fieldstone Research <https://fieldstonemarketresearch.com/>](https://fieldstonemarketresearch.com/) on the development and deployment of a resident survey (see final version attached) around their perceptions and opinions related to parks and recreation in Northfield. The purpose of the survey was to gather feedback as a resource for staff and the City Council to evaluate in the context of upcoming policy considerations for the Council related to the possibility of requesting Legislative authority to hold a referendum question to Northfield voters this November related to implementation of a local option sales tax.

Fieldstone Research is the division of Neuger Communications Group that focuses on assessment and measurement and uses a variety of analytical tools. It is designed to provide objective, third-party analysis of market trends, employee and customer perceptions, investment analysis, web analytics and campaign evaluations. Staff worked on topic areas and content with Fieldstone Research for them to use in developing questions.

Due to limited time to have full Council review (no meetings scheduled in December), staff reached out to Mayor Pownell for assignment of an ad hoc group of three Councilors (any more would constitute a quorum) to give some input on the content of the questions as well as clarifying items related to the structure of the survey. Mayor Pownell, Councilor Zweifel and Councilor Peterson White were the ones who provided some perspectives, thoughts and ideas that Fieldstone used in the final survey development. We relied on the professional expertise of Fieldstone Research for the technical items such as how questions were posed and the response options.

As noted earlier, we anticipate a final draft report will be available for distribution at the end of the business day Monday.

New State Law on Local Sales Taxes

A new law, [2019 First Special Session, Chapter 6](https://www.revisor.mn.gov/laws/2019/1/Session+Law/Chapter/6/)

[<https://www.revisor.mn.gov/laws/2019/1/Session+Law/Chapter/6/>](https://www.revisor.mn.gov/laws/2019/1/Session+Law/Chapter/6/), modified the process cities and other local units of government must follow to impose future general local sales taxes.

Effective July 1, 2019, the new process requires local governments to secure legislative authorization for a general sales tax prior to conducting a local referendum. (Counties imposing a transportation sales tax under [Minnesota Statutes, section 297A.993 <https://www.revisor.mn.gov/statutes/cite/297A.993>](https://www.revisor.mn.gov/statutes/cite/297A.993) are not affected by this new law.)

Other new requirements

The new process also requires cities to provide additional detailed information on the proposed uses of the local sales tax revenue and information on the “regional significance” of the projects to be funded.

In the past, the sales tax legislation for some cities included authorization for a special local excise tax on motor vehicle sales within the city. The changes enacted in 2019 included a prohibition on new special excise taxes on motor vehicles.

Steps of the new process

To impose a general local sales tax under [Minnesota Statutes, section 297A.99](https://www.revisor.mn.gov/statutes/cite/297A.99) [<https://www.revisor.mn.gov/statutes/cite/297A.99>](https://www.revisor.mn.gov/statutes/cite/297A.99), a city must take the following steps:

1. *Adopt a resolution.* The city council must first adopt a resolution proposing the tax. The resolution must include the proposed tax rate, documentation of the “regional significance” of each project to be funded, the amount to be raised with the tax, and the estimated length of time the tax will be needed.
2. *Submit resolution to state tax committees.* The city is required to submit the adopted resolution and documentation on regional significance to the chairs and ranking minority members of the House and Senate Taxes committees by Jan. 31 of the year that it is seeking the special law.
3. *Get legislative authorization.* The city must secure the passage of a special law authorizing the enactment of the local sales tax. The city would typically work with its local legislators to introduce special legislation.
4. *Adopt a resolution.* After approval, the city must adopt a resolution accepting the new law. The city must also file the resolution and a [local approval certificate](https://www.sos.state.mn.us/media/1998/certificate_of_approval_of_special_law.pdf?inline=true) [<https://www.sos.state.mn.us/media/1998/certificate_of_approval_of_special_law.pdf?inline=true>](https://www.sos.state.mn.us/media/1998/certificate_of_approval_of_special_law.pdf?inline=true) with the Office of the Secretary of State before the next legislative biennium begins.
5. *Hold a referendum.* The city must conduct a referendum during a general election within two years of receiving legislative authority for the local sales tax. The referendum must include separate questions for each project, and only the ballot questions approved by voters may be funded by the sales tax.
6. *Pass an ordinance.* The city council must pass an ordinance imposing the tax. It must also notify the commissioner of Revenue at least 90 days before the first day of the calendar quarter that the tax will be imposed.

Spending restrictions

The statute continues to restrict the expenditure of funds for the promotion of the passage of a local sales tax referendum. Cities may spend money to:

- Give residents the information that is contained in the local sales tax resolution, including information on specific projects and costs of those projects.
- Conduct public forums on the sales tax and projects to be funded, provided that proponents and opponents are given equal time to express their opinions.
- Provide facts on the proposed projects and the impact of the proposed tax on consumers.
- Conduct the required referendum.

Alternative Options:

Not applicable

Financial Impacts:

Not applicable.

Tentative Timelines:

See presentation for schedule. Action on this item would need to be completed on Tuesday, January 21st evening to keep this option open for this election. Or, a special meeting could be called for Tuesday, January 28 if necessary to get a resolution completed to meet the January 31st deadline.

