

# LAUDERDALE CITY COUNCIL MEETING AGENDA

TUESDAY, JULY 11, 2000

CITY HALL, 7:30 P.M.

The City Council is meeting as a legislative body to conduct the business of the City according to ROBERT'S RULES OF ORDER AND THE STANDING RULES OF ORDER AND BUSINESS OF THE CITY COUNCIL. Unless so ordered by the Mayor, citizen participation is limited to the times indicated and always within the prescribed rules of conduct for public input at meetings.

**1. CALL MEETING TO ORDER AT 7:30 P. M.**

**2. ROLL:**

*Councilmembers:*

|                   |                   |
|-------------------|-------------------|
| Gower _____       | Christensen _____ |
| Hawkinson _____   | Gill-Gerbig _____ |
| Mayor Dains _____ |                   |

*Staff:*

Adm. Rick Getschow \_\_\_\_\_

**3. APPROVAL**

- A. Approval of agenda
- B. Approval of the minutes of the 6/27/00 City Council Meeting
- C. Approval of claims totaling \$ 51,033.46

**4. OPPORTUNITY FOR THE PUBLIC TO ADDRESS THE COUNCIL ON ITEMS NOT ON THE AGENDA**

Any member of the public may speak at this time on any item NOT on the agenda. In consideration of the public attending the meeting for specific items on the agenda, this portion of the meeting will be limited to fifteen (15) minutes. Individuals are requested to limit their comments to four (4) minutes or less. If the majority of the Council determines that additional time on a specific issue is warranted, then discussion on that issue shall be continued under Additional Items at the end of the agenda. Before addressing the City Council, members of the public are asked to step up to the microphone, give their name, address and state the subject to be discussed. All remarks shall be addressed to the Council as a whole and not to any member thereof. No person other than members of the Council and the person having the floor shall be permitted to enter any discussion without permission of the presiding officer. Your participation, as prescribed by the Council's ROBERT'S RULES OF ORDER AND THE STANDING RULES OF ORDER AND BUSINESS OF THE CITY COUNCIL, is welcomed and your cooperation is greatly appreciated.

**5. CONSENT**

**6. SPECIAL ORDER OF BUSINESS/ RECOGNITIONS/ PROCLAMATIONS/  
CITIZEN'S ADDRESSING THE 2000 STREET AND UTILITY  
IMPROVEMENTS**

**7. INFORMATIONAL PRESENTATIONS**

- A. 2000 Street and Utility Improvements Update- City Engineer *(no memorandum)*

**8. PUBLIC HEARINGS**

Public hearings are conducted so that the public affected by a proposal may have input into the decision. During hearings, all affected residents will be given an opportunity to speak pursuant to the ROBERT'S RULES OF ORDER AND THE STANDING RULES OF ORDER AND BUSINESS OF THE CITY COUNCIL.

- A. Lauderdale Business Subsidy Policy

**9. ACTION**

- A. Consideration of the Lauderdale Business Subsidy Policy

**10. REPORTS**

- A. 2000 Legislative Summary  
B. 2000-2001 Lauderdale Resident's Guide and Phone Directory  
C. Children's Home Society – 1605 Eustis Street

**11. DISCUSSION**

- A. Draft Zoning Ordinance: Chapters 8-14

**12. ITEMS REMOVED FROM THE CONSENT AGENDA**

**13. ADDITIONAL ITEMS**

**14. SET AGENDA FOR NEXT MEETING**

**15. ADJOURNMENT**

**Lauderdale City Council  
Meeting Minutes  
June 27, 2000**

1. Mayor Pro Tem Gill-Gerbig called the meeting to order at 7:30 P.M.

2. ROLL

Council present: Gill-Gerbig, Gower, Christensen, and Hawkinson

Council absent: Mayor Dains

Staff present: City Administrator Getschow, and Adm. Analyst Bownik

3. APPROVAL

*A. Approval of Agenda.* Motion by Hawkinson, second by Christensen to approve the agenda. Roll: Yes: all. Motion carried.

*B. Approval of Minutes.* Motion by Hawkinson, second by Gower to approve the minutes of the June 13, 2000 City Council meeting. Roll: Yes: all. Motion carried.

*C. Approval of Claims totaling \$714,455.23.* Motion by Christensen, second by Hawkinson to approve the claims totaling \$714,455.23. Roll: Yes: all. Motion carried.

4. OPPORTUNITY FOR THE PUBLIC TO ADDRESS ITEMS NOT ON THE AGENDA

*A. John Strojny, 1756 Carl Street,* expressed his appreciation to the Police Department for their efforts in the City. He also voiced his concerns regarding what he feels are non-conforming residential buildings, such as a four-family unit adjacent to his property, that are bought and sold without the City pursuing conformity at that time.

5. CONSENT

6. SPECIAL ORDER OF BUSINESS/RECOGNITIONS/PROCLAMATIONS/  
CITIZEN'S ADDRESSING THE 2000 STREET AND UTILITY  
IMPROVEMENTS

7. INFORMATIONAL PRESENTATIONS

A. *2000 Street and Utility Improvements.* The City Engineer updated the City Council on the progress of the street and utility improvement project.

8. PUBLIC HEARINGS

A. *Front Yard Setback Variance for an addition at 1779 Pleasant Street.* Administrative Analyst Bownik stated that Mr. Dean Bonde of 1779 Pleasant Street is applying for an 8-foot variance to the front yard setback to construct an enclosed addition and a deck to the front of his property. The principal building has a front setback of 26.5 feet. In May of 1998, Mr. Bonde received a 5-foot front-yard variance for the construction of a deck to the front of the property. Mr. Bonde is proposing an enclosed addition to the front of the property that would come 8 feet closer to the front property line than the principal building, making the front yard setback distance 18.5 feet from the front property line.

At the June 20, 2000 Planning Commission meeting, the Commission recommended to the City Council approval of the variance. The following is the rationale for the recommendation to approve the variance:

- (1) The proposed addition does not extend further than the property directly to the north of 1779 Pleasant Street. The property directly to the north, 1783 Pleasant Street, has an 18-foot front yard setback. Given the current setback distance of 26.5 feet at 1779 Pleasant Street, an 8.5-foot variance to the front yard setback was recommended.

Council member Christensen, the Planning Commission liaison, further explained the Commission's rationale.

The Mayor Pro Tem opened the public hearing at 7:52 p.m. No one was present to address the Council. The Mayor Pro Tem closed the public hearing at 7:52 p.m.

9. ACTION

*A. Front Yard Setback Variance for an addition at 1779 Pleasant Street.*

Motion by Christensen, second by Hawkinson to approve the variance for 1779 Pleasant Street to allow a front yard setback of nominally 18.5 feet, but no less than 18 feet or nor closer than the front yard setback of 1783 Pleasant Street based on the rationale of the Plan Commission at the June 20, 2000 meeting.

Council member Gill-Gerbig did not agree with the Planning Commission recommendation, stating that the applicant did not illustrate a hardship. She also questioned the use of the average adjacent setback provisions used in determining the front yard setback.

Roll: Yes: Christensen, Gower, Hawkinson. No: Gill-Gerbig. Motion carried.

*B. Resolution 062700A: A Resolution Amending the Joint Powers Agreement with the Middle Mississippi River Watershed Management Organization.* The Administrator stated that at a recent Board of Middle Mississippi River Watershed Management Organization (MMRWMO) Commissioner's meeting, a resolution was adopted to approve changes in the JCA as a result of boundary agreements with the Capitol Region Watershed District (CRWD). The amendment, that is recommended to be approved by all watershed participants, mainly consists of the removal of the City of Falcon Heights from the MMRWMO. This is so that a certain southern portion of the City can be entirely located within the CRWD, and not be overlapped in the CRWD and the MMRWMO.

Council member Gill-Gerbig, as the Lauderdale Middle Mississippi River Watershed Management Organization Commissioner, discussed the structure and overall operation of the organization, especially as it relates to its levying authority and representation.

Motion by Christensen, second by Hawkinson to adopt Resolution 062700A: A Resolution Amending the Joint Powers Agreement with the Middle Mississippi River Watershed Management Organization. Roll: Yes: all. Motion carried.

*C. Review of the Middle Mississippi River Watershed Management Organization Capital Budget.* The Administrator requested that the Council table this item pending review by the City of Minneapolis.

Motion by Hawkinson, second by Gower to table the review of the Middle Mississippi River Watershed Management Organization Capital Budget.  
Roll: Yes: all. Motion carried.

10. REPORTS

11. DISCUSSION

*A. Draft Zoning Ordinance.* Motion by Gower, second by Christensen to table the review of the Draft Zoning Ordinance until the July 11, 2000 meeting.

12. ITEMS REMOVED FROM THE CONSENT AGENDA

13. ADDITIONAL ITEMS

14. SET AGENDA FOR NEXT MEETING

1. 2000 Street and Utility Improvement Update
2. 2000 Legislative Summary
3. Business Subsidy Policy and Public Hearing
4. Housing Presentations
5. Draft Zoning Ordinance

15. ADJOURNMENT

Motion by Hawkinson, second by Gower to adjourn at 8:16 P.M. Ayes: All.

## **The City of Lauderdale**

Claims for Approval

7/11/00 City Council Meeting

|                                      |             |
|--------------------------------------|-------------|
| July 7, 2000 Payroll # 6711 - 6715   | \$5,193.65  |
| July 11, 2000 Claims # 14637 - 14654 | \$45,839.81 |
| Total Claims for Approval            | \$51,033.46 |

6 Jul 2000  
Thu 9:45 AM

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\*Paid Register  
CITY OF LAUDERDALE  
CLAIMS FOR APPROVAL  
PAYROLL DATE: JULY 7, 2000  
COUNCIL MEETING DATE: JULY 11, 2000

| Check<br>Number | Employee<br>Number | Employee<br>Name  | Social<br>Security<br>Number | Pay<br>Period | Pay<br>Group<br>Number | Pay<br>Group<br>Description | Check<br>Amount | Check<br>Date | Status      |
|-----------------|--------------------|-------------------|------------------------------|---------------|------------------------|-----------------------------|-----------------|---------------|-------------|
| 006711          | 000000011          | BOWNIK, JAMES     |                              | 14            | 01                     | BI-WEEKLY                   | 846.38          | 07-Jul-00     | Outstanding |
| 006712          | 000000003          | GETSCHOW, RICK    |                              | 14            | 01                     | BI-WEEKLY                   | 1,622.93        | 07-Jul-00     | Outstanding |
| 006713          | 000000030          | GOYETTE, SHANNON  |                              | 14            | 01                     | BI-WEEKLY                   | 726.52          | 07-Jul-00     | Outstanding |
| 006714          | 000000002          | HINRICHS, DAVID C |                              | 14            | 01                     | BI-WEEKLY                   | 1,063.57        | 07-Jul-00     | Outstanding |
| 006715          | 000000005          | HUGHES, JOSEPH A  |                              | 14            | 01                     | BI-WEEKLY                   | 934.25          | 07-Jul-00     | Outstanding |

Grand Total

-----  
5,193.65



| Check Invoice       |            | Name                                 | Account Code  | Comments                 | Transaction |
|---------------------|------------|--------------------------------------|---------------|--------------------------|-------------|
| Number              | Number     |                                      |               |                          | Amount      |
| Check Number        |            | 14637 CINTAS                         |               |                          |             |
| 14637               | 754121401  | CINTAS                               | 601-49000-425 | PUBLIC WORKS UNIFORMS    | 27.70       |
| 14637               | 754122728  | CINTAS                               | 601-49000-425 | PUBLIC WORKS UNIFORMS    | 27.70       |
|                     |            |                                      |               |                          | -----       |
| Totals Check Number |            | 14637 CINTAS                         |               |                          | 55.40       |
| Check Number        |            | 14638 CITY OF ROSEVILLE              |               |                          |             |
| 14638               | 299        | CITY OF ROSEVILLE                    | 101-43400-306 | 3RD QTR '00 JNT POWERS   | 450.00      |
|                     |            |                                      |               |                          | -----       |
| Totals Check Number |            | 14638 CITY OF ROSEVILLE              |               |                          | 450.00      |
| Check Number        |            | 14639 EAST HENNEPIN AUTO SERVICE INC |               |                          |             |
| 14639               | 7/11/00    | EAST HENNEPIN AUTO SERVICE INC       | 101-43100-212 | JUNE '00 TRUCK FUEL      | 16.30       |
| 14639               | 7/11/00    | EAST HENNEPIN AUTO SERVICE INC       | 601-49000-212 | JUNE '00 TRUCK FUEL      | 16.30       |
|                     |            |                                      |               |                          | -----       |
| Totals Check Number |            | 14639 EAST HENNEPIN AUTO SERVICE INC |               |                          | 32.60       |
| Check Number        |            | 14640 ICMA RETIREMENT TRUST - 457    |               |                          |             |
| 14640               | 7/11/00    | ICMA RETIREMENT TRUST - 457          | 101-21705     | 7/7/00 PAYROLL           | 745.82      |
|                     |            |                                      |               |                          | -----       |
| Totals Check Number |            | 14640 ICMA RETIREMENT TRUST - 457    |               |                          | 745.82      |
| Check Number        |            | 14641 KNOX LUMBER                    |               |                          |             |
| 14641               | 0209447132 | KNOX LUMBER                          | 101-43100-228 | PUBLIC WORKS SUPPLIES    | 50.20       |
|                     |            |                                      |               |                          | -----       |
| Totals Check Number |            | 14641 KNOX LUMBER                    |               |                          | 50.20       |
| Check Number        |            | 14642 LILLIE SUBURBAN NEWS           |               |                          |             |
| 14642               | 7/11/00    | LILLIE SUBURBAN NEWS                 | 101-41600-309 | 06/00 DELIV: ROSE REVIEW | 509.00      |
|                     |            |                                      |               |                          | -----       |
| Totals Check Number |            | 14642 LILLIE SUBURBAN NEWS           |               |                          | 509.00      |
| Check Number        |            | 14643 NORTHERN STATES POWER          |               |                          |             |
| 14643               | 7/11/00    | NORTHERN STATES POWER                | 601-49000-381 | LIFT STATIONS: ELECTRIC  | 211.00      |
| 14643               | 7/11/00    | NORTHERN STATES POWER                | 601-49000-383 | LIFT STATIONS: GAS       | 22.50       |
|                     |            |                                      |               |                          | -----       |
| Totals Check Number |            | 14643 NORTHERN STATES POWER          |               |                          | 233.50      |
| Check Number        |            | 14644 NORWEST BANKS                  |               |                          |             |

7 Jul 2000  
Fri 9:09 AM

\* Paid Check Reg  
CITY OF LAUDERDALE  
CLAIMS FOR APPROVAL  
JULY 11, 2000  
CITY COUNCIL MEETING

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| Check Invoice<br>Number | Number  | Name                         | Account Code  | Comments               | Transaction<br>Amount |
|-------------------------|---------|------------------------------|---------------|------------------------|-----------------------|
| Check Number            | 14644   | NORWEST BANKS                |               |                        |                       |
| 14644                   | 7/11/00 | NORWEST BANKS                | 301-47100-611 | DEBT SERVICE INTEREST  | 14,335.00             |
|                         |         |                              |               |                        | -----                 |
| Totals Check Number     | 14644   | NORWEST BANKS                |               |                        | 14,335.00             |
| Check Number            | 14645   | OFFICE MAX                   |               |                        |                       |
| 14645                   | 7/11/00 | OFFICE MAX                   | 101-41200-201 | GEN OFFICE SUPPLIES    | 81.49                 |
|                         |         |                              |               |                        | -----                 |
| Totals Check Number     | 14645   | OFFICE MAX                   |               |                        | 81.49                 |
| Check Number            | 14646   | PARK HARDWARE HANK           |               |                        |                       |
| 14646                   | 7/11/00 | PARK HARDWARE HANK           | 101-43100-202 | PUBLIC WORKS SUPPLIES  | 13.42                 |
|                         |         |                              |               |                        | -----                 |
| Totals Check Number     | 14646   | PARK HARDWARE HANK           |               |                        | 13.42                 |
| Check Number            | 14647   | PARK SERVICE                 |               |                        |                       |
| 14647                   | 7/11/00 | PARK SERVICE                 | 101-43100-212 | JUNE '00 TRUCK FUEL    | 51.36                 |
| 14647                   | 7/11/00 | PARK SERVICE                 | 601-49000-212 | JUNE '00 TRUCK FUEL    | 51.37                 |
|                         |         |                              |               |                        | -----                 |
| Totals Check Number     | 14647   | PARK SERVICE                 |               |                        | 102.73                |
| Check Number            | 14648   | POSTMASTER                   |               |                        |                       |
| 14648                   | 7/11/00 | POSTMASTER                   | 101-41200-203 | STAMPS FOR CITY HALL   | 99.00                 |
|                         |         |                              |               |                        | -----                 |
| Totals Check Number     | 14648   | POSTMASTER                   |               |                        | 99.00                 |
| Check Number            | 14649   | PUBLIC EMP RETIREMENT ASSSOC |               |                        |                       |
| 14649                   | 7/11/00 | PUBLIC EMP RETIREMENT ASSSOC | 101-21704     | 7/7/00 PAYROLL         | 798.28                |
|                         |         |                              |               |                        | -----                 |
| Totals Check Number     | 14649   | PUBLIC EMP RETIREMENT ASSSOC |               |                        | 798.28                |
| Check Number            | 14650   | RAPIT PRINTING               |               |                        |                       |
| 14650                   | 10-7813 | RAPIT PRINTING               | 101-41600-355 | PRINT EMERGENCY CARDS  | 23.86                 |
|                         |         |                              |               |                        | -----                 |
| Totals Check Number     | 14650   | RAPIT PRINTING               |               |                        | 23.86                 |
| Check Number            | 14651   | SPRINGSTED                   |               |                        |                       |
| 14651                   | 1       | SPRINGSTED                   | 401-48401-303 | GO BONDS FOR \$930,000 | 10,790.92             |
|                         |         |                              |               |                        | -----                 |
| Totals Check Number     | 14651   | SPRINGSTED                   |               |                        | 10,790.92             |

7 Jul 2000  
Fri 9:09 AM

\* Paid Check Reg  
CITY OF LAUDERDALE  
CLAIMS FOR APPROVAL  
JULY 11, 2000  
CITY COUNCIL MEETING

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| Check Invoice<br>Number Number | Name                         | Account Code  | Comments              | Transaction<br>Amount |
|--------------------------------|------------------------------|---------------|-----------------------|-----------------------|
| Check Number                   | 14652 ST. ANTHONY VILLAGE    |               |                       |                       |
| 14652 3727                     | ST. ANTHONY VILLAGE          | 101-42100-319 | 08/00 POLICE SERVICES | 17,196.33             |
|                                |                              |               |                       | -----                 |
| Totals Check Number            | 14652 ST. ANTHONY VILLAGE    |               |                       | 17,196.33             |
| Check Number                   | 14653 UNITED RENTALS         |               |                       |                       |
| 14653 1119097300               | UNITED RENTALS               | 101-43100-426 | RENT STUMP GRINDER    | 92.06                 |
|                                |                              |               |                       | -----                 |
| Totals Check Number            | 14653 UNITED RENTALS         |               |                       | 92.06                 |
| Check Number                   | 14654 US WEST COMMUNICATIONS |               |                       |                       |
| 14654 7/11/00                  | US WEST COMMUNICATIONS       | 101-41200-391 | CITY HALL PHONE: 7/00 | 170.34                |
| 14654 7/11/00                  | US WEST COMMUNICATIONS       | 101-43100-391 | CITY HALL PHONE: 7/00 | 29.93                 |
| 14654 7/11/00                  | US WEST COMMUNICATIONS       | 601-49000-391 | CITY HALL PHONE: 7/00 | 29.93                 |
|                                |                              |               |                       | -----                 |
| Totals Check Number            | 14654 US WEST COMMUNICATIONS |               |                       | 230.20                |
|                                |                              |               |                       | -----                 |
| Grand Total                    |                              |               |                       | 45,839.81             |









## City Council Memorandum

To: Mayor and City Council  
From: Rick Getschow  
Council Meeting Date: July 11, 2000  
Agenda Item: Business Subsidy Policy

### **BACKGROUND:**

For the first time, the 1999 State Legislature enacted a new law regulating business subsidies that are provided by the state or local units of government. This law was updated and revised during the 2000 session. Below are the general discussion points regarding the law, along with information regarding the changes for 2000.

#### **General**

The law has annual reporting requirements, along with requirements calling for the enactment of a business subsidy policy and the use of business subsidy agreements. Subsidy agreements would be considered on a case-by-case basis when the City would provide a specific subsidy. Among other things, these agreements must include job and wage goals for the recipient to achieve that are tied to the subsidy. The City of Lauderdale has not yet provided any business subsidies since this law was enacted. Thus, we have not yet considered a subsidy agreement. But on a more general level, and prior to the enactment of any specific subsidy agreements, all municipalities must adopt an overall policy on business subsidies. The policy would outline the criteria that the City would be use in granting business subsidies and entering into subsidy agreements. This must occur following a public hearing that is conducted by the City Council at a regular meeting. The policy aspect is what the Council needs to consider at this time.

Enclosed is a draft business subsidy policy that meets the requirements and specifications of the State Statute language. It is important to note that the policy states that while the establishment of job and wage goals within a business subsidy may be beneficial and is required, it should not be the only litmus test used in granting a subsidy. Cities have many other goals and unique characteristics in granting business subsidies such as TIF or tax abatement. Goals such as an increase in the city tax base or the redevelopment of blighted property may be just as important to a city as having job and wage goals. This is especially relevant in the case of the City of Lauderdale.

## **2000 Session Changes**

Many of the session changes actually deal with altering the definition of business subsidy and not as much with the enactment of an overall policy. For example, the 2000 Legislature amended the dollar threshold that qualifies for a business loan or loan guarantee subsidy. The amount was increased from \$50,000 to \$75,000. Also, there were changes in the area of the Statute regarding the failure to meet the intended goals in the subsidy agreement and requests to be released from the agreement.

The major change that affects the policy and the enactment of criteria is in regards to setting specific job and wage goals in the policy, as opposed to these goals being set on a case-by-case basis. Even though the City can deviate from the job and wage goals set in the policy when considering specific agreements (such as setting wage and job goals at zero) – a wage floor must still be specified in the overall policy.

The wage floor of \$8.50/hour that I have placed within the Lauderdale business subsidy policy draft is based on the wage structure that the Metropolitan Council uses in its annual report form for the wage and job goal reporting of the Tax Base Revitalization Account. This is a program that Lauderdale has recently participated in. Also, the only other community that I am aware that has adopted the business subsidy policy since May 2000 used \$8.00/hour as a wage floor. It should be noted that the Council could choose to use another floor wage amount.

## **Public Hearing**

As was stated before, this draft policy must be considered by the residents at a public hearing before the policy is adopted. Notice of public hearing was published in the Roseville Review on July 4 for the July 11 hearing. Following the public hearing the Council may subsequently consider and adopt the policy.

## **ENCLOSURES:**

1. Draft Business Subsidy Policy
2. 2000 Business Subsidies Law – Senate File No. 2893
3. Fact Sheet: 1999 Business Subsidies Law
4. July 4<sup>th</sup> Public Hearing Notice

## **COUNCIL ACTION REQUESTED:**

Review and comment on the draft business subsidy policy, while also conducting a public hearing.

Consider approval of the business subsidy policy following the public hearing.



## LAUDERDALE BUSINESS SUBSIDY POLICY

This Policy is adopted for purposes of the business subsidies act (the "Act"), which is Minnesota Statutes, Sections 116J.993 through 116J.995. Terms used in this Policy are intended to have the same meanings as used in the Act, and this Policy shall apply only with respect to subsidies granted under the Act and to extend required thereby.

While it is recognized that the creation of good paying jobs is a desirable goal which benefits the community, it must also be recognized that not all projects assisted with subsidies derive their public purposes and importance solely by virtue of job creation. In addition, the imposition of high job creation requirements and high wage levels may be unrealistic and counter-productive in the face of larger economic forces and the financial and competitive circumstances of an individual business.

With respect to subsidies, the determination of the number of jobs to be created and the wage levels thereof shall be guided by the following principles and criteria:

- Each project shall be evaluated in a manner that recognizes its importance and benefit to the community from all perspectives, including creating or retained employment positions.
- In cases where the objective is the retention of existing jobs, the recipient of the subsidy shall be required to provide reasonably demonstrable evidence that the loss of those jobs is imminent.
- The setting of wage and job goals should be sensitive to prevailing wage rates, local economic conditions, external economic forces over which neither the grantor nor the recipient of the subsidy has control, the individual financial resources of the recipient and the competitive environment in which the recipient's business exists. This being the case, the wage floor that shall be required of recipient's pursuant to the Act shall be \$8.50/hour.
- If a particular project does not involve the creation of jobs, but is nonetheless found to be worthy of support and subsidy, it may be approved without any specific job or wage goals, as may be permitted by applicable law.
- Because it is not possible to anticipate every type of project which may in its context and time present desirable community building or preservation goals and objectives, the governing body must retain the right in its discretion to approve projects and subsidies which may vary from the principles and criteria of this Policy.

*Adopted by the Lauderdale City Council on:*

*Date of Public Hearing: July 11, 2000*



- 2.25 (14) funds from bonds allocated under chapter 474A, bonds  
 2.26 issued to refund outstanding bonds, and bonds issued for the  
 2.27 benefit of an organization described in section 501(c)(3) of the  
 2.28 Internal Revenue Code of 1986, as amended through December 31,  
 2.29 1999;  
 2.30 (15) assistance for a collaboration between a Minnesota  
 2.31 higher education institution and a business;  
 2.32 (16) assistance for a tax increment financing soils  
 2.33 condition district as defined under section 469.174, subdivision  
 2.34 19;  
 2.35 (17) redevelopment when the recipient's investment in the  
 2.36 purchase of the site and in site preparation is 70 percent or  
 3.1 more of the assessor's current year's estimated market  
 3.2 value; ~~and~~  
 3.3 (18) general changes in tax increment financing law and  
 3.4 other general tax law changes of a principally technical nature;  
 3.5 (19) federal assistance until the assistance has been  
 3.6 repaid to, and reinvested by, the state or local government  
 3.7 agency;  
 3.8 (20) funds from dock and wharf bonds issued by a seaway  
 3.9 port authority;  
 3.10 (21) business loans and loan guarantees of \$75,000 or less;  
 3.11 and  
 3.12 (22) federal loan funds provided through the United States  
 3.13 Department of Commerce, Economic Development Administration.  
 3.14 Sec. 2. Minnesota Statutes 1999 Supplement, section  
 3.15 116J.994, subdivision 1, is amended to read:  
 3.16 Subdivision 1. [PUBLIC PURPOSE.] A business subsidy must  
 3.17 meet a public purpose ~~other than~~ which may include, but may not  
 3.18 be limited to, increasing the tax base. Job retention may only  
 3.19 be used as a public purpose in cases where job loss is ~~imminent~~  
 3.20 specific and demonstrable.  
 3.21 Sec. 3. Minnesota Statutes 1999 Supplement, section  
 3.22 116J.994, subdivision 2, is amended to read:  
 3.23 Subd. 2. [DEVELOPING A SET OF CRITERIA.] A business  
 3.24 subsidy may not be granted until the grantor has adopted  
 3.25 criteria after a public hearing for awarding business subsidies  
 3.26 that comply with this section. The criteria may not be adopted  
 3.27 on a case-by-case basis. The criteria must set specific minimum  
 3.28 requirements that recipients must meet in order to be eligible  
 3.29 to receive business subsidies. The criteria must include  
 3.30 a policy regarding specific wage floor for the wages to be paid  
 3.31 for the jobs created. The wage floor may be stated as a  
 3.32 specific dollar amount or may be stated as a formula that will  
 3.33 generate a specific dollar amount. A grantor may deviate from  
 3.34 its criteria by documenting in writing the reason for the  
 3.35 deviation and attaching a copy of the document to its next  
 3.36 annual report to the department. The commissioner of trade and  
 4.1 economic development may assist local government agencies in  
 4.2 developing criteria. A copy of the criteria must be submitted  
 4.3 to the department of trade and economic development along with  
 4.4 the first annual report following the enactment of this section  
 4.5 or with the first annual report after it has adopted criteria,  
 4.6 whichever is earlier.  
 4.7 Sec. 4. Minnesota Statutes 1999 Supplement, section  
 4.8 116J.994, subdivision 3, is amended to read:  
 4.9 Subd. 3. [SUBSIDY AGREEMENT.] (a) A recipient must enter  
 4.10 into a subsidy agreement with the grantor of the subsidy that  
 4.11 includes:  
 4.12 (1) a description of the subsidy, including the amount and  
 4.13 type of subsidy, and type of district if the subsidy is tax  
 4.14 increment financing;  
 4.15 (2) a statement of the public purposes for the subsidy;  
 4.16 (3) measurable, specific, and tangible goals for the  
 4.17 subsidy;  
 4.18 (4) a description of the financial obligation of the  
 4.19 recipient if the goals are not met;  
 4.20 (5) a statement of why the subsidy is needed;  
 4.21 (6) a commitment to continue operations ~~at the site in the~~  
 4.22 jurisdiction where the subsidy is used for at least five years  
 4.23 after the benefit date;

4.24 (7) the name and address of the parent corporation of the  
4.25 recipient, if any; and

4.26 (8) a list of all financial assistance by all grantors for  
4.27 the project.

4.28 (b) Business subsidies in the form of grants must be  
4.29 structured as forgivable loans. ~~If a business subsidy is not~~  
4.30 ~~structured as a forgivable loan~~ For other types of business  
4.31 subsidies, the agreement must state the fair market value of the  
4.32 subsidy to the recipient, including the value of conveying  
4.33 property at less than a fair market price, or other in-kind  
4.34 benefits to the recipient.

4.35 (c) If a business subsidy benefits more than one recipient,  
4.36 the grantor must assign a proportion of the business subsidy to  
5.1 each recipient that signs a subsidy agreement. The proportion  
5.2 assessed to each recipient must reflect a reasonable estimate of  
5.3 the recipient's share of the total benefits of the project.

5.4 (d) The state or local government agency and the recipient  
5.5 must both sign the subsidy agreement and, if the grantor is a  
5.6 local government agency, the agreement must be approved by the  
5.7 local elected governing body, except for the St. Paul Port  
5.8 Authority and a seaway port authority.

5.9 (e) Notwithstanding the provision in paragraph (a), clause  
5.10 (6), a recipient may be authorized to move from the jurisdiction  
5.11 where the subsidy is used within the five-year period after the  
5.12 benefit date if, after a public hearing, the grantor approves  
5.13 the recipient's request to move. For the purpose of this  
5.14 paragraph, if the grantor is a state government agency other  
5.15 than the iron range resources and rehabilitation board,  
5.16 "jurisdiction" means a city or township.

5.17 Sec. 5. Minnesota Statutes 1999 Supplement, section  
5.18 116J.994, subdivision 4, is amended to read:

5.19 Subd. 4. [WAGE AND JOB GOALS.] The subsidy agreement, in  
5.20 addition to any other goals, must include: (1) goals for the  
5.21 number of jobs created, which may include separate goals for the  
5.22 number of part-time or full-time jobs, or, in cases where job  
5.23 loss is ~~imminent~~ specific and demonstrable, goals for the number  
5.24 of jobs retained; and (2) wage goals for the jobs created or  
5.25 retained. After a public hearing, if the creation or retention  
5.26 of jobs is determined not to be a goal, the wage and job goals  
5.27 may be set at zero.

5.28 In addition to other specific goal time frames, the wage  
5.29 and job goals must contain specific goals to be attained within  
5.30 two years of the benefit date.

5.31 Sec. 6. Minnesota Statutes 1999 Supplement, section  
5.32 116J.994, subdivision 5, is amended to read:

5.33 Subd. 5. [PUBLIC NOTICE AND HEARING.] (a) Before granting  
5.34 a business subsidy that exceeds \$500,000 for a state government  
5.35 grantor and \$100,000 for a local government grantor, the grantor  
5.36 must provide public notice and a hearing on the subsidy. A  
6.1 public hearing and notice under this subdivision is not required  
6.2 if a hearing and notice on the subsidy is otherwise required by  
6.3 law.

6.4 (b) Public notice of a proposed business subsidy under this  
6.5 subdivision by a state government grantor, other than the iron  
6.6 range resources and rehabilitation board, must be published in  
6.7 the State Register. Public notice of a proposed business  
6.8 subsidy under this subdivision by a local government grantor or  
6.9 the iron range resources and rehabilitation board must be  
6.10 published in a local newspaper of general circulation. The  
6.11 public notice must identify the location at which information  
6.12 about the business subsidy, including a ~~copy~~ summary of  
6.13 the terms of the subsidy agreement, is available. Published  
6.14 notice should be sufficiently conspicuous in size and placement  
6.15 to distinguish the notice from the surrounding text. The  
6.16 grantor must make the information available in printed paper  
6.17 copies and, if possible, on the Internet. The government agency  
6.18 must provide at least a ten-day notice for the public hearing.

6.19 (c) The public notice must include the date, time, and  
6.20 place of the hearing.

6.21 (d) The public hearing by a state government grantor other  
6.22 than the iron range resources and rehabilitation board must be

6.23 held in St. Paul.

6.24 (e) If more than one nonstate grantor provides a business  
6.25 subsidy to the same recipient, the nonstate grantors may  
6.26 designate one nonstate grantor to hold a single public hearing  
6.27 regarding the business subsidies provided by all nonstate  
6.28 grantors. For the purposes of this paragraph, "nonstate  
6.29 grantor" includes the iron range resources and rehabilitation  
6.30 board.

6.31 Sec. 7. Minnesota Statutes 1999 Supplement, section  
6.32 116J.994, subdivision 6, is amended to read:

6.33 Subd. 6. [FAILURE TO MEET GOALS.] The subsidy agreement  
6.34 must specify the recipient's obligation if the recipient does  
6.35 not fulfill the agreement. At a minimum, the agreement must  
6.36 require a recipient failing to meet subsidy agreement goals to  
7.1 pay back the assistance plus interest to the grantor or, at the  
7.2 grantor's option, to the account created under section 116J.551  
7.3 provided that repayment may be prorated to reflect partial  
7.4 fulfillment of goals. The interest rate must be set at no less  
7.5 than the implicit price deflator as defined under section  
7.6 275.70, subdivision 2. The grantor, after a public hearing, may  
7.7 extend for up to one year the period for meeting the wage and  
7.8 job goals under subdivision 4 provided in a subsidy agreement.  
7.9 A grantor may extend the period for meeting other goals under  
7.10 subdivision 3, clause (3), by documenting in writing the reason  
7.11 for the extension and attaching a copy of the document to its  
7.12 next annual report to the department.

7.13 A recipient that fails to meet the terms of a subsidy  
7.14 agreement may not receive a business subsidy from any grantor  
7.15 for a period of five years from the date of failure or until a  
7.16 recipient satisfies its repayment obligation under this  
7.17 subdivision, whichever occurs first.

7.18 Before a grantor signs a business subsidy agreement, the  
7.19 grantor must check with the compilation and summary report  
7.20 required by this section to determine if the recipient is  
7.21 eligible to receive a business subsidy.

7.22 Sec. 8. Minnesota Statutes 1999 Supplement, section  
7.23 116J.994, subdivision 7, is amended to read:

7.24 Subd. 7. [REPORTS BY RECIPIENTS TO GRANTORS.] (a) A  
7.25 business subsidy grantor must monitor the progress by the  
7.26 recipient in achieving agreement goals.

7.27 (b) A recipient must provide information regarding goals  
7.28 and results for two years after the benefit date or until the  
7.29 goals are met, whichever is later. If the goals are not met,  
7.30 the recipient must continue to provide information on the  
7.31 subsidy until the subsidy is repaid. The information must be  
7.32 filed on forms developed by the commissioner in cooperation with  
7.33 representatives of local government. Copies of the completed  
7.34 forms must be sent ~~to the commissioner and the local government~~  
7.35 ~~agency that provided the business subsidy to the local~~  
7.36 government agency that provided the subsidy or to the

8.1 commissioner if the grantor is a state agency. If the iron  
8.2 range resources and rehabilitation board is the grantor, the  
8.3 copies must be sent to the board. The report must include:

8.4 (1) the type, public purpose, and amount of subsidies and  
8.5 type of district, if the subsidy is tax increment financing;  
8.6 (2) the hourly wage of each job created with separate bands  
8.7 of wages;

8.8 (3) the sum of the hourly wages and cost of health  
8.9 insurance provided by the employer with separate bands of wages;

8.10 (4) the date the job and wage goals will be reached;

8.11 (5) a statement of goals identified in the subsidy  
8.12 agreement and an update on achievement of those goals;

8.13 (6) the location of the recipient prior to receiving the  
8.14 business subsidy;

8.15 (7) why the recipient did not complete the project outlined  
8.16 in the subsidy agreement at their previous location, if the  
8.17 recipient was previously located at another site in Minnesota;

8.18 (8) the name and address of the parent corporation of the  
8.19 recipient, if any;

8.20 (9) a list of all financial assistance by all grantors for  
8.21 the project; and

8.22 (10) other information the commissioner may request.

8.23 A report must be filed no later than March 1 of each year for  
8.24 the previous year ~~and within 30 days after the deadline for~~  
8.25 ~~meeting the job and wage goals.~~ The local agency and the iron  
8.26 range resources and rehabilitation board must forward copies of  
8.27 the reports received by recipients to the commissioner by April  
8.28 1.

8.29 (c) Financial assistance that is excluded from the  
8.30 definition of "business subsidy" by section 116J.993,  
8.31 subdivision 3, clauses (4), (5), (8), and (16) is subject to the  
8.32 reporting requirements of this subdivision, except that the  
8.33 report of the recipient must include instead:

8.34 (1) the type, public purpose, and amount of the financial  
8.35 assistance, and type of district if the ~~subsidy~~ assistance is  
8.36 tax increment financing;

9.1 (2) progress towards meeting goals stated in the ~~subsidy~~  
9.2 assistance agreement and the public purpose of the assistance;

9.3 (3) if the agreement includes job creation, the hourly wage  
9.4 of each job created with separate bands of wages;

9.5 (4) if the agreement includes job creation, the sum of the  
9.6 hourly wages and cost of health insurance provided by the  
9.7 employer with separate bands of wages;

9.8 (5) the location of the recipient prior to receiving the  
9.9 assistance; and

9.10 (6) other information the grantor requests.

9.11 (d) If the recipient does not submit its report, the local  
9.12 government agency must mail the recipient a warning within one  
9.13 week of the required filing date. If, after 14 days of the  
9.14 postmarked date of the warning, the recipient fails to provide a  
9.15 report, the recipient must pay to the grantor a penalty of \$100  
9.16 for each subsequent day until the report is filed. The maximum  
9.17 penalty shall not exceed \$1,000.

9.18 Sec. 9. Minnesota Statutes 1999 Supplement, section  
9.19 116J.994, subdivision 8, is amended to read:

9.20 Subd. 8. [REPORTS BY GRANTORS.] (a) Local government  
9.21 agencies of a local government with a population of more than  
9.22 2,500 and state government agencies, regardless of whether or  
9.23 not they have awarded any business subsidies, must file a report  
9.24 by April 1 of each year with the commissioner. Local government  
9.25 agencies of a local government with a population of 2,500 or  
9.26 less are exempt from filing this report if they have not awarded  
9.27 a business subsidy in the past five years. ~~The local government~~  
9.28 ~~agency report~~ must include a list of recipients that did not  
9.29 complete the recipient report required under subdivision 7 and a  
9.30 list of recipients that have not met their job and wage goals  
9.31 within two years and the steps being taken to bring them into  
9.32 compliance or to recoup the subsidy.

9.33 If the commissioner has not received the report by April 1  
9.34 from an entity required to report, the commissioner shall issue  
9.35 a warning to the government agency. If the commissioner has  
9.36 still not received the report by June 1 of that same year from  
10.1 an entity required to report, then that government agency may  
10.2 not award any business subsidies until the report has been filed.

10.3 (b) The commissioner of trade and economic development must  
10.4 provide information on reporting requirements to state and local  
10.5 government agencies.

10.6 Sec. 10. Minnesota Statutes 1999 Supplement, section  
10.7 116J.994, subdivision 9, is amended to read:

10.8 Subd. 9. [COMPILATION AND SUMMARY REPORT.] The department  
10.9 of trade and economic development must publish a compilation and  
10.10 summary of the results of the reports for the previous calendar  
10.11 year by ~~July~~ August 1 of each year. The reports of the  
10.12 government agencies to the department and the compilation and  
10.13 summary report of the department must be made available to the  
10.14 public.

10.15 The commissioner must coordinate the production of reports  
10.16 so that useful comparisons across time periods and across  
10.17 grantors can be made. The commissioner may add other  
10.18 information to the report as the commissioner deems necessary to  
10.19 evaluate business subsidies. Among the information in the  
10.20 summary and compilation report, the commissioner must include:

10.21 (1) total amount of subsidies awarded in each development  
10.22 region of the state;  
10.23 (2) distribution of business subsidy amounts by size of the  
10.24 business subsidy;  
10.25 (3) distribution of business subsidy amounts by time  
10.26 category, ~~such as monthly or quarterly~~;  
10.27 (4) distribution of subsidies by type and by public  
10.28 purpose;  
10.29 (5) percent of all business subsidies that reached their  
10.30 goals;  
10.31 (6) percent of business subsidies that did not reach their  
10.32 goals by two years from the benefit date;  
10.33 (7) total dollar amount of business subsidies that did not  
10.34 meet their goals after two years from the benefit date;  
10.35 (8) percent of subsidies that did not meet their goals and  
10.36 that did not receive repayment;  
11.1 (9) list of recipients that have failed to meet the terms  
11.2 of a subsidy agreement in the past five years and have not  
11.3 satisfied their repayment obligations;  
11.4 (10) number of part-time and full-time jobs within separate  
11.5 bands of wages; and  
11.6 (11) benefits paid within separate bands of wages.  
11.7 Sec. 11. Minnesota Statutes 1999 Supplement, section  
11.8 116J.994, is amended by adding a subdivision to read:  
11.9 Subd. 10. [COMPILATION.] The department of trade and  
11.10 economic development must publish a compilation of granting  
11.11 agencies' criteria policies adopted in the previous calendar  
11.12 year by August 1 of each year.  
11.13 Sec. 12. Minnesota Statutes 1999 Supplement, section  
11.14 116J.995, is amended to read:  
11.15 116J.995 [ECONOMIC GRANTS.]  
11.16 An appropriation rider in an appropriation to the  
11.17 department of trade and economic development that specifies that  
11.18 the appropriation be granted to a particular business or class  
11.19 of businesses must contain a statement of the expected benefits  
11.20 associated with the grant. At a minimum, the statement must  
11.21 include goals for the number of jobs created, wages paid, and  
11.22 the tax revenue increases due to the grant. The wage and job  
11.23 goals must contain specific goals to be attained within two  
11.24 years of the benefit date. The statement must specify the  
11.25 recipient's obligation if the recipient does not attain the  
11.26 goals. At a minimum, the statement must require a recipient  
11.27 failing to meet the job and wage goals to pay back the  
11.28 assistance plus interest to the department of trade and economic  
11.29 development provided that repayment may be prorated to reflect  
11.30 partial fulfillment of goals. The interest rate must be set at  
11.31 no less than the implicit price deflator as defined under  
11.32 section 275.70, subdivision 2. The legislature, after a public  
11.33 hearing, may extend for up to one year the period for meeting  
11.34 the goals provided in the statement.  
11.35 Sec. 13. [TRANSITION PROVISION.]  
11.36 A granting agency that, prior to May 1, 2000, adopted  
12.1 criteria that complied with Minnesota Statutes 1999 Supplement,  
12.2 section 116J.994, subdivision 2, has until May 1, 2003, to  
12.3 comply with the minimum criteria requirements added by section 3.  
12.4 Sec. 14. [1995 TO 1999 ASSISTANCE.]  
12.5 Subdivision 1. [REPEALER OF NO EFFECT.] Subdivision 2 is  
12.6 applicable to the receipt of assistance between July 1, 1995,  
12.7 and July 31, 1999, notwithstanding the repeal of Minnesota  
12.8 Statutes, section 116J.991, by Laws 1999, chapter 243, article  
12.9 12, section 4, and provided that the assistance would have been  
12.10 subject to Minnesota Statutes, section 116J.991, if not for that  
12.11 repeal.  
12.12 Subd. 2. [PUBLIC ASSISTANCE TO BUSINESS; WAGE AND JOB  
12.13 REQUIREMENTS.] A business that receives state or local  
12.14 government assistance for economic development or job growth  
12.15 purposes must create a net increase in jobs in Minnesota within  
12.16 two years of receiving the assistance.  
12.17 The government agency providing the assistance must  
12.18 establish wage level and job creation goals to be met by the  
12.19 business receiving the assistance. A business that fails to

- 12.20 meet the goals must repay the assistance to the government  
12.21 agency.  
12.22 Each government agency must report the wage and job goals  
12.23 and the results for each project in achieving those goals to the  
12.24 department of trade and economic development. The department  
12.25 shall compile and publish the results of the reports for the  
12.26 previous calendar year by August 1 of each year. The reports of  
12.27 the agencies to the department and the compilation report of the  
12.28 department shall be made available to the public.  
12.29 For the purpose of this subdivision, "assistance" means a  
12.30 grant or loan in excess of \$25,000 or tax increment financing.  
12.31 Sec. 15. [EFFECTIVE DATE.]  
12.32 The amendment in section 1, adding clause (21), is  
12.33 effective the day following final enactment and is retroactive  
12.34 to January 1, 2000. Section 14 is effective January 1, 2001.
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## FACT SHEET: 1999 Business Subsidies Law

Laws of Minnesota 1999, Chapter 243, Article 12; to be codified as Minn. Stat. §116J.993 to §116J.995

### What is the 1999 Business Subsidies Law?

- ✓ Minnesota Statutes (Minn. Stat.) §116J.993 through §116J.995 regulate business subsidy agreements signed on or after August 1, 1999, and replace Minn. Stat. §116J.991.
- ✓ Agencies are no longer subject to reporting requirements for agreements signed under Minn. Stat. §116J.991, but businesses must still comply with agreements signed before August 1, 1999.

### Who does the law apply to, and for what types of subsidies?

- ✓ State and local government agencies with the authority to provide business subsidies with state or local government funds, and entities created or authorized by a local government with this authority, are subject to the law. The law gives a complete description of applicable agencies (i.e. "grantors").
- ✓ The law covers business subsidies to for-profit businesses, and to nonprofits with at least 100 full-time equivalent positions and a ratio of highest to lowest paid employee, determined on the basis of full-time equivalent positions, exceeding 10 to 1.
- ✓ Types of assistance meeting the definition of a "business subsidy" include:
  - state or local government agency grants;
  - contributions of personal property, real property, or infrastructure;
  - the principal amount of a loan at rates below those commercially available;
  - reductions or deferrals of taxes or fees, including tax increment financing (TIF);
  - guarantees of any payment under any loan, lease, or other obligation;
  - and preferential use of government facilities.
- ✓ The law explicitly excludes 18 types of assistance from the definition of business subsidies, including all awards of less than \$25,000.
- ✓ Four of the types of financial assistance excluded from the definition of business subsidies are subject to different reporting requirements under Minn. Stat. §116J.994, subdivision 7. These types of assistance include:
  - property polluted by contaminants as defined in Minn. Stat. §116J.552, subdivision 3 (i.e. brownfields);
  - assistance provided for the sole purpose of renovating building stock or bringing it up to code, if the assistance is 50 percent or less of the total cost;
  - assistance for pollution control or abatement;
  - and assistance for a TIF soils condition district as defined in Minn. Stat. §469.174, subdivision 19.

### What is required in order to award a business subsidy?

- ✓ A business subsidy agreement may not be signed on or after August 1, 1999, until the grantor has held a public hearing on, and adopted criteria for, awarding business subsidies. The criteria must include a wage policy for jobs created by a recipient.
- ✓ The law outlines 8 elements that must be included in business subsidy agreements:
  - a description of the subsidy, including the amount and type of subsidy, and type of district if the subsidy is TIF;
  - a statement of the public purposes for the subsidy;
  - goals for the subsidy;
  - a description of the financial obligation of the recipient if goals are not met;
  - a statement of why the subsidy is needed;
  - a commitment to continue operations at the site where the subsidy is used for five years;
  - the name and address of the parent corporation of the recipient, if any;
  - and a list of all financial assistance by all grantors for the project.
- ✓ All business subsidy agreements must include job and wage goals with specific goals to be attained within two years of the benefit date. The law does not specify minimum criteria for these goals.

- ✓ Business subsidies must meet a public purpose other than increasing the tax base. The law specifies that job retention may be used as a public purpose only where job loss is imminent and demonstrable, but does not otherwise restrict allowable public purposes (see examples on page 4).
- ✓ Grantors must determine that the recipient is eligible to receive assistance by reviewing DTED's list of past recipients ineligible to receive a business subsidy because they failed to meet the terms of another subsidy agreement. (This will not take effect until DTED makes the first list available after receiving the 1999 reports in 2000.)
- ✓ Before granting a business subsidy that exceeds \$500,000 for a state government grantor and \$100,000 for a local government grantor, the grantor must provide public notice and hold a hearing on the subsidy unless a hearing and notice on the subsidy is otherwise required by law.
- ✓ If a business subsidy benefits more than one recipient, the grantor must assign a proportion of the subsidy to each recipient signing the agreement. If the grantor is a local government agency, the agreement must be approved by the local elected governing body, except for the St. Paul Port Authority and a seaway port authority. Also, subsidies in the form of grants must be structured as forgivable loans, and agreements for other types of business subsidies must state the fair market value of the subsidy or other in-kind benefits.
- ✓ In addition to any criteria developed in compliance with this law, agencies may be subject to additional criteria required by specific assistance programs such as the Community Development Block Grant (HUD) and Minnesota Investment Fund programs. Agencies may or may not choose to address specific program criteria in the criteria developed in compliance with this law.

### **What happens if a recipient does not meet business subsidy goals?**

- ✓ Business subsidy agreements must specify the recipient's obligation if the recipient does not fulfill the agreement. At a minimum, a recipient failing to meet goals must pay back the assistance plus interest, although repayment may be prorated to reflect partial fulfillment of goals. The interest rate must be set at the Implicit Price Deflator rate as defined in Minn. Stat. §275.70, subdivision 2. DTED will provide information on the Implicit Price Deflator on its website.
- ✓ Recipients failing to fulfill business subsidy agreements may not receive business subsidies from any grantor for five years or until they have satisfied their repayment obligation, whichever occurs first.

### **Who is required to report business subsidies, and how?**

- ✓ Recipients must provide grantors with information on their progress toward goals outlined in the agreement, and will be subject to a penalty as defined in Minn. Stat. §116J.994, subdivision 7(d) for failing to report.
- ✓ Grantors must submit the annual Minnesota Business Assistance Form (MBAF) to DTED for each business subsidy agreement signed on or after August 1, 1999. DTED will ask grantors to file an MBAF each year for each agreement for two years after the benefit date or until all goals outlined in the agreement have been met, whichever is later.
- ✓ Local government agencies in communities with a population of more than 2,500 and state government agencies must submit an MBAF regardless of whether they have awarded business subsidies. The form will ask agencies whether they have awarded any subsidies. Local government agencies in communities with a population of 2,500 or less are exempt from filing the MBAF if they have not awarded a subsidy in the past five years (i.e. those with a population of 2,500 or less who have not signed an agreement after December 31, 1994, will be exempt from reporting in 2000).
- ✓ DTED will develop a new MBAF in fall 1999. This form will ask grantors to report, at a minimum, the information that Minn. Stat. §116J.994, subdivision 7 requires recipients to provide to them, including:
  - the type, public purpose, and amount of the subsidy, and type of district if the subsidy is TIF;
  - the hourly wage of each job created with separate bands of wages;
  - the sum of the hourly wages and cost of health insurance provided by the recipient, broken down by wage level;
  - the date(s) by which job and wage goals will be met;
  - a statement of goals identified in the agreement and an update on progress toward them;
  - the location of the recipient prior to receiving the business subsidy;
  - information on why the recipient did not complete the project outlined in the subsidy agreement at its previous location, if previously located at another site in Minnesota;
  - the name and address of the parent corporation of the recipient, if any;
  - and a list of all financial assistance by all grantors for the project.

- ✓ With their reports, DTED will ask grantors to include a list of recipients that did not report, as well as a list of those failing to meet any goals outlined in the agreement and a description of the steps being taken to bring them into compliance or recoup the subsidy.
- ✓ DTED will post an MBAF on DTED's website this fall and mail the form in February. If DTED has not received an MBAF by April 1 from an entity required to report, DTED must issue a warning. If DTED has still not received the MBAF by June 1, the agency in default may not award any business subsidies until the report has been filed.
- ✓ State funds passed through local agencies to businesses (e.g. Minnesota Investment Fund awards) are reported by the state grantor. However, local agencies must report on applicable local funds awarded in conjunction with state funds and on state funds which have been repaid to and reinvested by the local agency (e.g. revolving funds).

### **How is non-business subsidy financial assistance reported?**

- ✓ Recipients of the four types of financial assistance with different reporting requirements must provide grantors with the information outlined in Minn. Stat. §116J.994, subdivision 7(c), and will be subject to a penalty as defined in Minn. Stat. §116J.994, subdivision 7(d) for failing to report.
- ✓ DTED will ask grantors to report, at a minimum, the information that Minn. Stat. §116J.994, subdivision 7(c) requires recipients to provide to them on these four types of financial assistance.
- ✓ DTED will determine this fall whether to develop a separate form or ask grantors to use the MBAF for reporting on these agreements. The form(s) will be posted on DTED's website this fall and mailed to agencies in February. As with their business subsidy reports, grantors will have until April 1 to file these reports with DTED.

### **How will information reported by agencies be used?**

- ✓ DTED is required to publish a report summarizing information reported through the MBAF each year by July 1. DTED's report must include a list of recipients that have failed to meet the terms of a subsidy agreement in the past five years and have not satisfied their repayment obligations. Copies of the report will be submitted to the Legislature and posted on DTED's website.

### **Where can I find the law?**

- ✓ The business subsidies law can be found on DTED's website at <http://www.dted.state.mn.us/busasst/bareport.html> and may be printed from your web browser.

### **Clarifications to the law**

- ✓ The following clarifications are in response to commonly asked questions about the law:
  - Regarding Minn. Stat. §116J.994, subdivision 7(b), the statute's author agrees that recipients should continue reporting to the granting agency, not to DTED. The granting agency will be responsible for reporting to DTED.
  - DTED will be collecting information only on public funds originating in Minnesota; therefore, DTED will not ask agencies to report on federal funds they administer unless the funds have been repaid to the agency and reinvested according to local policies.

*This fact sheet is intended to help agencies understand the 1999 business subsidies law, and does not serve as a substitute for statute language. Agencies are responsible for complying with the law and should view the law for questions and specific details and requirements that are not outlined in this fact sheet. Questions about the law can be directed to DTED:*

Minnesota Department of Trade and Economic Development  
Analysis and Evaluation Office  
500 Metro Square  
121 7<sup>th</sup> Place East  
St. Paul, MN 55101-2146  
Phone: (651) 296-3646 | Fax: (651) 215-3841 | E-mail: [caryn.mohr@state.mn.us](mailto:caryn.mohr@state.mn.us)  
  
[www.dted.state.mn.us](http://www.dted.state.mn.us)

## Developing Criteria and Stating Public Purposes for Business Subsidies

Under Minn. Stat. §116J.993 through §116J.995, granting agencies must develop criteria for awarding business subsidies after a public hearing. In addition, each business subsidy agreement must indicate a public purpose. The law allows grantors flexibility in stating public purposes appropriate for their communities, but requires that agreements meet a public purpose other than increasing the tax base and that job retention be used as a public purpose only when job loss is imminent and demonstrable. Although the law does not require public purposes to be addressed in the criteria, grantors may want to refer to the public purposes below for criteria ideas. The following public purposes and criteria were recommended by the legislatively established Corporate Subsidy Reform Commission.

### Enhancing Economic Diversity

- ✓ In what ways does the project improve the mix of businesses in the area so as to: (1) allow the area to participate in fast-growing industries; (2) protect the area from adverse economic consequences caused by slow growth or declining industries that are dominant in the area; and (3) provide essential consumer services, or develop a network of local suppliers to businesses within the community where they otherwise do not exist?

### Creating High-Quality Job Growth

- ✓ How many new jobs will be created, and what will they pay?
- ✓ How do wages proposed to be paid compare to community wage levels?
- ✓ How many jobs will be created with opportunities for career advancement, educational opportunities, or occupational training?
- ✓ What are the projections for job growth at the project over the next period of two to five years?
- ✓ What are the fringe benefits that are payable for the jobs (particularly, is there child care, health care, and pension coverage)?

### Providing for Job Retention, Where Loss is Imminent and Demonstrable

*Note: Under the 1999 law, job retention can be used as a public purpose only in cases where job loss is imminent and demonstrable.*

- ✓ After collecting the necessary documents, is there substantial evidence that the company will have to shut down involuntarily?
- ✓ After collecting the necessary documents, is there substantial evidence that the company has received an offer to move to another state or community that is attractive enough that a reasonable person would seriously consider a move for business reasons?
- ✓ What potential negative effect would the subsidy have on other competing businesses and overall area job quality?

### Stabilizing the Community

- ✓ How will the project constitute a significant investment in an area that (1) has not historically received similar investments; (2) is a blighted area; or (3) is an economically depressed area?
- ✓ How will the project stimulate other investment or create spinoff businesses and jobs in the area?

### Increasing the Tax Base

*Note: The law requires business subsidies to meet a public purpose other than increasing the tax base, but grantors may use increasing the tax base in conjunction with another public purpose.*

- ✓ How will the project uniquely affect the property tax base for all taxing jurisdictions, both short term and long term and both directly and indirectly?
- ✓ How will the project affect other local business and individual property tax bills?

SOURCE: Corporate Subsidy Reform Commission, 1997 Corporate Subsidy Reform Commission Report, February 6, 1998.

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**PUBLIC NOTICE**  
**CITY OF LAUDERDALE**  
**NOTICE OF PUBLIC HEARING ON THE**  
**ADOPTION OF A POLICY AND CRITERIA**  
**FOR GRANTING BUSINESS SUBSIDIES**  
**NOTICE IS HEREBY GIVEN** that the City  
Council of the City of Lauderdale, Minnesota  
will hold a public hearing on Tuesday, July 11,  
2000, at a meeting of the Council beginning at  
approximately 7:30 p.m. at City Hall in the  
Council Chambers located at 1891 Walnut  
Street, on the proposed adoption of the City's  
Business Subsidy Policy under Minnesota  
Statutes, Sections 116J.993 through  
116J.995.

All persons may appear at the public hearing  
and present their views orally or in writing. A  
copy of the proposed Business Subsidy Policy  
may be obtained at the City Offices.

**Richard B. Getschow**  
**City Administrator**  
(Roseville-Little Canada Review: July 4, 2000)

## City Council Memorandum

To: Mayor and City Council  
From: Rick Getschow  
Council Meeting Date: July 11, 2000  
Agenda Item: 2000 Legislative Summary

### BACKGROUND:

I would like to make a brief report at the meeting summarizing the actions of the 2000 state legislative session.

I have included in the packets all of the law summaries for the 2000 session. I will highlight and discuss those issues of special importance to Lauderdale at the Council meeting.

Also included in the packet is information regarding the PERA funding shortfall issue that the Mayor has mentioned at past meetings. I will also update the Council further on this issue.

### ENCLOSURES:

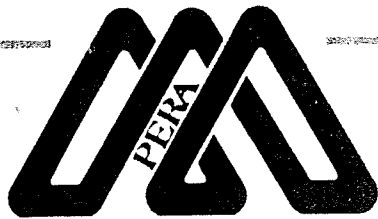
1. PERA Graph Newsletter – Spring 2000
2. 2000 Minnesota Session Law Summaries











The

Spring 2000

# PERAgraph

Newsletter of the Public Employees Retirement Association of Minnesota

Assets over \$14.5 billion

Active membership over 145,000

## 2000 Session

### Legislature sidelines Coordinated, Post Fund issues until 2001

Any action to address PERA's funding shortfall for the Coordinated Plan or changes in the Post Retirement Investment Fund will have to wait until at least 2001. The Legislative Commission on Pensions and Retirement (Pension Commission) set both issues aside for study until next year's legislative session.

The action was taken in the first two weeks of the session, as Pension Commission members cited inadequate time to fully evaluate the issues during this year's short session. The session held in the second year of the biennium is normally only 10 weeks long.

#### Coordinated Plan

PERA's Board of Trustees had approached the Legislature with a proposal authorizing an increase in member and employer contributions up to a total of 1.5 percent each, spread over four years beginning in 2001. Additional funds are needed to make up for an anticipated shortfall in future funding. The

projected shortage is the result of actuarial assessments showing two changes in assumptions are necessary: First, the percentage of PERA members who leave public service prior to retirement and take a refund of their contributions is falling, a trend which is expected to continue. This means more people than anticipated will qualify for future pensions from the association. Second, PERA members are living longer than had been previously anticipated. This again adds slightly to the future costs for the association.

The board's proposal would have begun to address the problem starting in 2001 by allowing the association to increase employee and employer contributions 0.375 percent each of the next four years, up to a total of 1.5 percent each. Spreading the increase over four years would have made budgeting easier for members and their

(Continued on page 3.)

## Legislative Issue

Pension Commission members cited inadequate time to fully evaluate the issues during this year's short session.

### Military service credit may now be purchased, but it can be expensive

Legislation in this year's omnibus pension bill (SF2796, HF2999) allows PERA members to purchase service credit in their pension plan for prior military service. There is no time limit on when that service was performed.

Until this year, PERA members could only receive credit for time in the military if it interrupted their public service and they returned to their public jobs immediately after discharge. In addition, they could only receive credit if they paid their employee contributions shortly after returning—usually within five years. This year's legislation covers both members who did not make contributions within the necessary time

frame and those with military service prior to public employment.



However, to receive credit, members must pay the entire actuarial cost of the future benefits they will receive through the credits added to their record. This can be very expensive, and the longer the wait before the purchase, the more expensive it becomes. An actuarial purchase of service means the member is paying the entire cost of the additional future benefit up-front. It is not based on salary during the

(Continued on page 4.)

#### Inside:

Separation of the Funds .....Pg. 5

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## President's Message



**Mike Schwab**

### Board Directory

The board of trustees invites you to notify them personally of any concerns you have regarding your retirement association.

**Michael G. Schwab**

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*Police & Fire Rep.*  
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**Lois E. Riecken**

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Clear Lake, MN 55319  
(320) 743-2369

**Richard H. Stafford**

*Counties Rep.*  
7918 Heinbuch Trail  
Woodbury, MN 55125  
(651) 730-9846

## Legislature puts problem on hold

**P**ERA and the Legislative Commission on Pensions and Retirement have a year to grapple with the question of how we address future funding for the association's Coordinated Plan. Legislators decided the problem was too significant to handle during a short 2000 session and held the issue over for study until next year.

As we noted in the last issue of the PERAgraph, changes in our actuarial assumptions for the plan project a future funding shortfall. In an attempt to address this problem, our Board of Trustees recommended an increase in employer and member contributions of up to 1.5 percent of salary each, spread over four years. It was not an easy decision, but it would have begun to solve the problem. Our goal was to get part of the additional funding into the plan as quickly as possible, but we did not intend to stop there. We sincerely believe that spreading the increase out would have allowed PERA and the Legislature time to explore other possible sources of funding and other remedies before the full increase went into effect. Instead, we'll now be doing much of that exploration before any action is taken.

We would like to thank those of you who have contacted us to offer your suggestions on how to deal with this issue. We'll continue to explore those ideas along with a variety of other options.

One area we have been pursuing for some time is the entire question of who should qualify for future participation in PERA and how we allot service credit. The decision was made in 1989 to allow vesting in PERA after only three years of public service. This was done to make a PERA pension more accessible to short-term employees and more competitive with defined contribution pension plans in the private sector. While it puts public sector employment on a more even footing with private sector jobs, the downside is it also created a lot more deferred members who qualify for future pensions—and that costs money.



Coupled with the shorter vesting period is the fact that the minimum salary required to first qualify for membership in the association has not changed in over 10 years. It's still \$425 per month. Indexed for inflation, that would be approximately \$625 today. Therefore, it is much easier for an individual to earn enough to qualify for membership today than it was 10 years ago. Twice PERA has sought to increase our earnings requirement, first in 1998 and again this year. Both times the effort has been rebuffed. Efforts to switch to a minimum number of hours worked per year rather than salary have also been opposed, although it is the yardstick used by most pension systems.

Another issue is how PERA assigns service credit. A member of PERA receives a full service credit for any month in which he or she is paid, no matter how many hours are worked. Thus, someone working only a few hours in a month receives the same credit as someone working throughout the month. Many pension plans, notably the Teachers Retirement Association and the Minnesota State Retirement System, prorate credit on the basis of the number of hours worked in a month compared to the number of hours defined as full-time employment.

Yet another way to meet full funding at a reasonable cost is to roll back the period of time required to achieve that goal. Changing our assumptions this year has moved that benchmark to 2025. Returning to 30 years to reach full funding, as was done in 1989,

*(Continued on next page.)*

The PERAgraph is published as a service to members and benefit recipients of the Public Employees Retirement Association.

Toll Free—1 800 652-9026, or (651) 296-7460, Between 8:00 a.m. and 4:30 p.m.

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For the visually impaired, TTY: MN Relay Service 1 800 627-3529

The PERAgraph is available in alternative formats.





## Legislation postponed (Continued from page 1.)

employers. Just as important, it would have given the association time to work with the Pension Commission and Legislature in trying to find other funding sources and possible changes in plan structure, to reduce the total increase necessary. This year's postponement makes any contribution increase unlikely until 2002.

### Post Fund

Also postponed was action on a proposal by PERA, the Minnesota State Retirement System and the Teachers Retirement Association, as well as the State Board of Investment, to change the formula under which retirees receive pension increases. While investment gains and losses of the Post Retirement Investment Fund are currently spread over five years, the proposal would have extended that spread to 10 years.

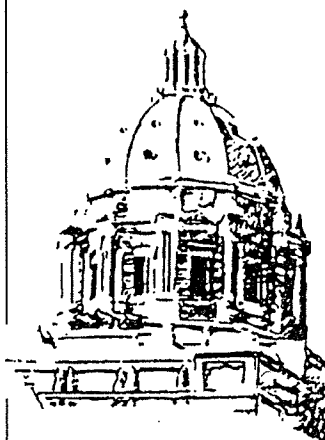
Since the formula was changed in 1993, the fund has experienced only one slight investment loss and five years of tremendous investment gains. These gains have been passed on to the retirees and resulted in the

substantial increases of the past few years. However, future market downturns could reduce increases just as quickly as they rose in the late 90s.

While spreading investment gains and losses over 10 instead of five years may reduce the size of pension increases over the short term, total increases would be the same when the change is fully implemented. At the same time, however, it would provide a substantial buffer against a sustained downturn in investment performance.

"We wish the Pension Commission had addressed these two issues this year, but understand their reluctance to make such substantive changes in the short period of time available this session," said Mary Most Vanek, executive director of PERA. "We hope to work with the Commission between now and next year to reach an understanding of how best to meet the Coordinated Plan's funding needs without undue hardship on our members and employers, and to better protect our retirees' future pensions. They're both issues that cannot be ignored."

**This year's legislative postponement makes any Coordinated Plan contribution increase unlikely until 2002.**



## President's Message (Continued from page 2.)

would also reduce the size of any contribution increase. The negative here is the longer wait for 100 percent funding. It's like paying on a 25- versus a 30-year mortgage on your house—your payments are less but you're paying for a longer period of time.

Fundamental issues like these, while hardly the type that grab headlines, have a very direct bearing on our future funding needs and must be periodically reviewed. One advantage of the year's postponement is it will allow the board time to have other studies performed to more precisely estimate our future funding needs and alternatives.

### What about earnings?

One of the questions we have heard repeatedly over the past few months is how can the Coordinated plan face a funding shortfall considering the double-digit earnings on our investments the last few years? While it's true the State Board of Investment has done a spectacular job of investing PERA's assets this past decade, we can't base our investment earnings projections on the hope such investment performance continues indefinitely. In fact, to ensure we have adequate reserves to pay for future pension benefits, we have to be very conservative in our esti-

mates of investment growth. Currently, PERA estimates that growth at 8.5 percent per year. Our actuaries caution that any higher estimate would be irresponsible. We agree. Should our earnings continue to exceed expectations, it will just mean we achieve full funding before anticipated. There's nothing wrong with that—but we can't count on it.

The other problem is while our excellent investment growth is paying off our current unfunded liability more quickly, our members continue to earn additional pension benefits each year. Current contributions are not enough to cover the cost of the benefits our members are earning each year. It's like paying more than the minimum on a credit card but continuing to make additional purchases. We want to get that card paid off.

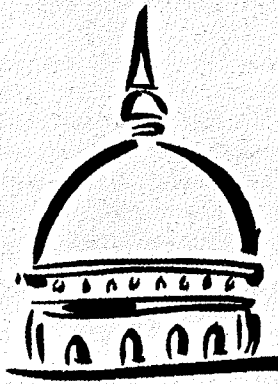
As you can see, our path will not be an easy one. As we prepare for the 2001 Legislative Session, we will keep you updated on what develops.

*Michael G. Schwab*

Michael G. Schwab  
President, PERA Board of Trustees

**One of the questions we have heard repeatedly over the past few months is how can the Coordinated plan face a funding shortfall considering the double-digit earnings on our investments the last few years?**

**League of Minnesota Cities**



# **2000 Law Summaries**

**Final Action  
Minnesota Session Laws 2000**



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# 2000 Legislative Session Summary

The 2000 session was supposed to be short, ending in early to mid-April. It didn't. The 2000 session was supposed to be sweet. With another huge surplus and a major election on the horizon, an amicable outcome between the independent governor, the Republican-controlled House and the DFL-controlled Senate looked possible. It wasn't. The 1999 and 2000 legislative sessions included a record number of "legislative days" in a biennium—118 days to be exact, which is only two days shy of the constitutional maximum.

## Pre-session activity

The session posturing got underway last November with the announcement by the Department of Finance of another substantial state budget surplus of nearly \$1.6 billion.

Almost immediately there were calls for more permanent tax cuts and another sales tax rebate. The House offered a transportation funding package that would add \$400 million to speed up transportation projects and a plan to reduce property taxes, most notably for owners of commercial, industrial, and apartment property. They also called for permanent income tax cuts and agricultural tax relief.

The Senate was remarkably quiet on the tax cut front while the governor indicated he wanted to reserve a substantial amount of the surplus for his "Big Plan" tax reforms that are scheduled to be unveiled for the 2001 session.

## Local Government Day on the Hill

House Speaker Steve Sviggum and Senate Majority Leader kicked off the session by inviting local government officials from across the state to participate in an event informally dubbed "Local Government Day on the Hill." The event included a floor session for local officials with comments by House Speaker Steve Sviggum and Senate Majority Leader Roger Moe. The floor session culminated with a presentation by the dean of the Hubert H. Humphrey Institute of Public Affairs, Professor John Brandl. Brandl is also a former member of both the House and Senate, representing a district in south Minneapolis.

The House and Senate Local Government Committees held their first joint hearing in recent memory. The committees heard the concerns of local officials from across the state.

## Capital projects bill

With the unveiling of the governor's recommendations on the capital projects (bonding) bill came a rude awakening for local initiatives. The governor nearly universally denied supporting local projects while he aggressively limited his total bonding package to \$462 million—far less than the bonding package cobbled together in 1998.

In his proposed capital budget, the governor stated he would not support state assistance for projects with only a local benefit. Unfortunately, he was not entirely clear in his definition of what constitutes a "local" project versus a "regional" project.

## Tax and spending battles

The battle over tax cuts and spending increases was the most prominent feature of the 2000 session. With the February budget forecast that added \$200 million to the estimated surplus, the governor warned legislators not to enact permanent tax cuts or spending increases that could not be sustained for the long term. The Department of Finance estimated the "structural surplus," or the permanent excess of revenues over expenditures, to be \$549 million.

The House chose to craft a permanent tax cut package that exceeded \$800 million. The Senate tax and spending plan met the governor's limits, but their capital bonding package was far greater than the governor's \$462 million target.

In the end, the governor and the House agreed to a plan offered by Senator Roger Moe to divvy the structural surplus resources into three equal \$175 million pots—one for the governor, one for the House, and one for the Senate. The House used most of their allocation for permanent cuts in income tax rates, the governor used most of his portion for cuts in automobile license fee reductions, and the Senate used most of their pot for increases in education and environmental spending.

The end of levy limits was one notable feature of the omnibus tax process. Early in the session, it looked like levy limits would be extended. The governor's supplemental budget included levy limits and the House tax bill extended levy limits in their phase-three of property tax reform. The House extension of levy limits was rationalized as a way to ensure that the benefits of property tax changes would flow through to the taxpayer. The final tax package eliminated phase-three of tax reform and therefore eliminated the extension of levy limits.

## **Other Notable Session Events**

### **Sales tax repeal defeated**

Despite strong support among rank-and-file legislators, the repeal of the sales tax on local governments did not become law. In early February, the Senate Republican caucus unveiled their proposed tax reduction plan, which included the sales tax elimination. Unfortunately the idea never progressed in either the Senate or the House.

### **Tab fee reduction**

The governor's tab fee reduction included in the omnibus tax bill will reduce tab fees in the second year to a maximum of \$189 and in the third through the tenth year to a maximum of \$99. However, the fee reductions will also dramatically reduce the revenue available to the highway user tax distribution fund, from which cities receive funding for roads. The revenue reduction will be offset by a direct state appropriation in the first two years, and a statutory dedication of 32 percent of the sales tax on motor vehicles after the second year.

The omnibus transportation package and the tab fee reduction will do little to address the long-term deficiency in transportation and transit funding. The omnibus transportation bill will allocate approximately \$400 million of the state's one-time surplus to speed up transportation projects. However, in the long-term, no additional revenues will be available. In fact, some critics of the tab fee reduction plan are concerned because the growth in the sales tax on motor vehicles has been slower than the growth in the tab fee revenues.

### **Light rail**

During the session, several members of the House led the charge to limit or repeal the light-rail initiative supported by the governor. Several amendments were inserted into various bills that would limit the ability of the state and participating local units of government from easily undertaking the project. In the end, the governor prevailed and light-rail appears to be moving forward.

### **Telecommunications debate**

With a rapidly-evolving telecommunications industry as a backdrop, Senator Steve Kelley and then-Department of Public Service/Commerce Commissioner Steve Minn unveiled separate bills to restructure the regulation of the telecommunications industry. Although little was actually accomplished in the 2000 session, the proposals offered by Kelley and Minn will undoubtedly serve as the starting point for 2001 activity.

### **Unicameral Legislature**

The governor proposed a constitutional amendment to eliminate one house of the Minnesota Legislature. The proposal was greeted with a strong emotional response from supporters as well as critics. The bill saw little action in the Senate while in the House the bill was rejuvenated several times, only to ultimately fall victim to the legislative process.

### **What's Ahead**

After the elections this fall, the 2001 legislative session promises to be another intriguing event. Based on the number of hotly-debated initiatives that fell by the wayside this session, including PERA underfunding, phase-three of property tax reform, and joint and several reform, the 2001 session will undoubtedly be full of issues of interest to cities.

In addition, the governor's staff and state agencies are gearing up to shape the tax reform components of the governor's Big Plan. The property tax system, including the truth in taxation process, is a major focus of this initiative.

All of this and only seven months remain until the 2001 session convenes on Wednesday, January 3, 2001.



# 2000 Law Summaries

Unless otherwise noted, effective dates are July 1, 2000, for fiscal bills and August 1, 2000, for all others. An asterisk "\*" denotes the file submitted to the governor. For the complete text of bills, look up the file number with the asterisk at the legislative Web site—[www.leg.state.mn.us](http://www.leg.state.mn.us)



## Civil Law

### GIS immunity

Chapter 468 (H.F. 3501\*/S.F. 2811), the omnibus data practices law, provides municipalities with immunity against any claim based on alleged or actual inaccuracies in geographic information systems (GIS) data. The municipality is required to provide a disclaimer of the accuracy of the GIS information at any point of initial contact with a GIS system to which the public has general access. A definition of GIS data is provided. Effective May 16, 2000.

### Tribal tort caps

Chapter 411 (H.F. 3825/S.F. 3338\*) establishes an annual cap for tort liability of tribal law enforcement agencies at three times the single occurrence amount provided for by the law enforcement training bond or certificate of insurance for liability coverage. The law includes tribal law enforcement agencies as peace officers for purposes of enforcing the crime of fleeing a peace officer in a motor vehicle.

### Liability for snowmobile and ATV accidents in right-of-ways

Chapter 373 (H.F. 3613/S.F. 3307\*) provides limited immunity to the state and, in turn, local governments for claims arising from accidents occurring in public right-of-way. The law provides immunity from lawsuits when an individual is injured when riding a motorized recreational vehicle in public highway rights-of-way. This bill is designed to balance the interests of recreational vehicle enthusiasts with the risk taxpayers face from civil litigation arising from private citizen use of public lands.

### State government attorneys' fees

Chapter 439 (H.F. 3497\*/S.F. 3539) modifies the state law regulating the recovery of costs and attorneys' fees from the state to include the costs of engineering and other technical analysis. It further clarifies the process for a prevailing party to recover from the state when it is shown the position of the state was not substantially justified.

### Mechanics liens

Chapter 430 (H.F. 2563\*/S.F. 2381) establishes new requirements for state mechanics liens and modifies the procedure for implementing a mechanics lien. The law

provides a new civil law action against persons committing fraud or theft by implementing a mechanics lien, allows for the payment of attorney's fees and costs, and imposes criminal penalties for improper use of mechanics liens.



## Data Practices

### Omnibus Data Practices Act

Chapter 468 (H.F. 3501\*/S.F. 2811) makes a number of changes to the Government Data Practices Act to implement recommendations made by the 1998 Information Policy Task Force.

Section 4 requires state and local units of government and political subdivisions that maintain public data in computerized formats to provide a copy of the data in electronic form if that can reasonably be done. This requirement does not necessitate providing the data in a format different than the one in which government units maintain the data. In addition, government may require the requester to pay the actual cost of providing the data in electronic form.

Information Policy Task Force recommendations to restrict government authority to copyright information were not adopted. Instead, provisions make clear that government units are authorized to copyright or patent software without legislative approval.

City officials may ask individuals requesting access to public data to provide information about themselves or the information they are seeking in order to make sure they obtain the data they seek. On the other hand, provisions in Section 6 make it clear that city officials may not require such individuals to identify themselves or to explain the reasons or justify why they are seeking that information.

Criticism of delays or failure of government units to release information led to one of the more controversial sections of the legislation. Section 8 provides that persons who allege wrongdoing on the part of government when seeking to enforce their rights under Chapter 13 or to obtain access to data may seek legal remedies to compel compliance. In circumstances in which the court orders a city or other unit of government to comply, the court is authorized to impose a civil penalty of up to \$300 against the government entity for its initial failure to comply. In considering whether to impose such a penalty, the court is directed to consider whether the entity in question has

substantially complied with requirements set forth in Chapter 13 with respect to general data practices compliance.

Section 9 also provides for an alternative dispute resolution process for data practices disputes. The commissioner of administration may attempt to informally resolve disputes, or may refer the matter to an alternative dispute resolution process or to the Office of Administrative Hearings to arbitrate or mediate the issues. This section is effective the day following final enactment.

Section 12 classifies as private and nonpublic certain data obtained by the city of St. Paul and the St. Paul HRA from individuals and businesses seeking financial assistance. Once economic assistance has been granted, Section 13 provides that business plans, income and expense projections not related to the financial assistance, customer lists, income tax returns, and design, market, and feasibility studies not paid for with public funds are to remain classified as private or nonpublic data.

Section 14 makes dates of birth of adults public court services data.

Other provisions of this chapter:

- Establish immunity for school officials who use and share data on juveniles in good faith when necessary to protect persons and property.
- Require persons who are subject to health-related licensing regulations to accept subpoenas for legal or administrative proceedings at their last known residential address.
- Make the date of birth of parolees, probationers or those participating in diversion programs public court services data.
- Classify data on individuals who receive services from the Minnesota Department of Children, Families and Learning under separate statutes.
- Strictly regulate HMO disclosure of "individually identifiable" data or information pertaining to diagnosis, treatment, or health of enrollees or applications obtained from such persons.
- Restrict dissemination of individually identifiable health records in contracts for health benefit plans only to that necessary to carry out contract requirements with the advance knowledge of enrolled employees (who must be fully informed of such dissemination at the time they enroll or change insurance coverage).
- Establish limited immunity for local governments for providing GIS data (this is described in more detail in the "civil law" section).

Copies of any reports made pursuant to M.S. 609.115, subd 5, must be provided to local correctional facilities or agencies for defendants sentenced to their jurisdiction. Sections 29 through 33 deal with data practices related to the operations of a pilot domestic fatality review team

project in the fourth congressional district, including access to, confidentiality, and privacy of data related to such cases.

All sections, except those noted above, are effective August 1.



## **Economic Development**

### **Port authority electronic disbursement**

Chapter 272 (H.F. 3762/S.F. 3355\*) authorizes port authorities to disburse port authority funds by electronic means in addition to disbursement by check. Effective March 24, 2000.

### **Tax increment financing**

Chapter 490, Article 11 (H.F.4127) of the omnibus tax bill contains the following tax increment financing (TIF) provisions:

- Economic development district duration modification (repeals 11-year from TIF plan approval duration and provides for an eight-year from receipt of first increment duration, clarifies that waiver of increments does not affect duration limits, and allows a three-year payback time period for violations occurring before June 1, 2000).
- Elimination of the adjustment to original net tax capacity for economic development districts provision, which was originally intended to prevent the capturing of inflationary-type growth.
- Authorization for taxpayers to bring private lawsuits for damages for TIF violations involving the collection of increment (clarifies a previous cross-referencing mistake and applies prospectively).
- Housing district definition clarification, which defines "housing project" to clarify and specify which developments must meet the requirements for spending housing district increments on low- and moderate-income housing. Effective retroactively to the original effective date of the requirements.
- Housing district income limitation violations will be subject to the law governing all other TIF provisions and enforcement responsibility will be transferred from the Department of Revenue to the state auditor. Effective for violations occurring after July 1, 2000.
- Publication requirements clarification, simplification, and elimination.
- Financial reporting clarification, expansion, and elimination.
- Tourism district definition changes to conform to changes made in 1999, which prohibit using increments for social and recreational facilities. Effective for requests for certification received after June 30, 2000 (except where a developer's letter of intent was issued by December 31, 1999).

- Clarification of which counties qualify to use economic development districts for tourism projects as those counties within development regions 2, 3, 4, and 5.
- Elimination of ability to approve TIF plans without but-for findings by failure to act for 60 days after the TIF authority submitted the plan.
- Notification, including the TIF plan (rather than economic and fiscal impacts information), will be required to be sent to the county auditor and school district clerk (rather than directly to the boards).
- County waiver of the 30-day period may be made only by the boards submitting written comments, rather than by the staff, and is also authorized for individual county commissioners with respect to housing and redevelopment districts.
- Extension of the time period, from 30 to 45 days, for counties to submit proposed road improvements for inclusion in TIF plans and clarification that if road improvements are not scheduled for construction within five years under the county capital improvements plan or any other formally adopted county plan, the county may require the TIF authority to pay for the costs of those improvements.
- Administrative expenses definition clarification, which provides that amounts spent on principal payments on bonds, physical development, and relocation benefits paid for location outside the district but within the project area do not qualify as administrative expenses. Effective retroactively for all districts.
- Extension of the sunset on the authority to establish housing improvement districts without special legislation from June 30, 2001 to June 30, 2005 and extension of the authority to operate housing improvement areas to housing and redevelopment authorities and economic development authorities.
- Expansion of the redevelopment district definition to include properties containing unused or underused tank facilities.
- Repeal of the authority to establish mined underground space districts. This authority was granted in 1985 and has never been used.
- Authorization for districts subject to the post-1990 pooling limitations to use an additional 10 percent for low-income rental housing (generally, for families with incomes below 60 percent of the area median income) outside of the district. Effective for increments spent after July 1, 2000.
- Expansion of qualified housing district definition to include single-family home ownership projects in which at least 95 percent of the home buyers have income at or below 70 percent of the area median gross income or the statewide median gross income, whichever is greater.
- Special TIF laws for the cities of Brooklyn Park, Fountain, Mendota Heights, St. Paul HRA, and Winona.

## **Abatement**

- Authorization for use of abatement for property currently located within a TIF district if the abatement will not occur until after the TIF district is decertified.
- Authorization for use of abatement to phase in property tax increases of at least 50 percent that are caused by large market value increases.
- Authorization for abatement duration extension where only one or two of the political subdivisions grants an abatement.

## **Business Subsidies Act clarification**

Chapter 482 (H.F. 3057/S.F. 2893\*) clarifies and modifies certain provisions of the 1999 Business Subsidies Act as follows:

- Expands the exemption for renovating certain building stock to include assistance provided for designated historic preservation districts.
- Clarifies that the exemption for pollution control or abatement assistance includes TIF hazardous substance subdistricts.
- Clarifies that the exemption for certain bonds includes bonds issued to refund outstanding bonds, and bonds issued for the benefit of 501(c)(3) organizations.
- Creates new exemptions for:
  - Federal assistance until the assistance is repaid to and reinvested by the state or local agency;
  - Funds from dock and wharf bonds issued by a seaway port authority;
  - Business loans and loan guarantees of \$75,000 or less (effective May 16, 2000 and retroactive to January 1, 2000); and
  - Federal loan funds provided through the U.S. Department of Commerce, Economic Development Administration.
- Clarifies that increasing the tax base is a legitimate public purpose.
- Substitutes the word “specific” for the word “imminent” with regard to job loss.
- Specifies that criteria may not be adopted on a case-by-case basis, must set specific minimum requirements that recipients must meet in order to be eligible to receive business subsidies, and must include a specific wage floor in the form of a dollar amount or a formula that will generate a dollar amount. Any local agency that has criteria in place by May 1, 2000 will have until May 1, 2003 to update their criteria. Grantors may deviate from their criteria by documenting the reasons in writing and attaching the document to the next annual DTED report.
- Requires copies of adopted criteria to be submitted to DTED along with the next annual DTED report, and requires DTED to publish an annual report of the criteria received during the previous year.

- Provides that goals for the subsidy included in grantor and recipient subsidy agreements must be “measurable, specific, and tangible.”
- Modifies the required five-year commitment to continue operations from “at the site” to “in the jurisdiction” where the subsidy is used, and provides that recipients may be authorized to move from the jurisdiction within the five-year period if a recipient’s request to move is approved by the grantor after a public hearing.
- Clarifies that business subsidy grants must be structured as forgivable loans.
- Clarifies that wage and job goals may be set at zero if it is determined after a public hearing that the creation or retention of jobs is not a goal.
- Provides that the Iron Range Resources and Rehabilitation Board (IRRRB) is not required to publish public hearing notices in the State Register and is not required to hold their public hearings in St. Paul. Rather, publication is required in a local newspaper of general circulation.
- Clarifies that a copy of the terms of the subsidy, rather than the subsidy agreement itself, will be available to the public.
- Provides that a single public hearing may be held if more than one non-state grantor provides a subsidy to the same recipient.
- Authorizes a grantor to elect that any assistance required to be paid back for failure to meet goals be paid into DTED’s contamination clean-up fund rather than to the grantor.
- Clarifies that interest rates on monies to be paid back be set at no less than the implicit price deflator.
- Authorizes grantors to extend the time period for meeting any goals, other than wage and job goals, by documenting in writing the reason for the extension and attaching a copy of the document to the next annual DTED report.
- Provides that completed reporting forms be sent by March 1 to the local agency providing the subsidy or to the IRRRB and that the local agency or the IRRRB will then forward copies to DTED by April 1. Where the grantor is a state agency, reports will be sent directly to DTED.
- Modifies the reporting requirements for certain types of pollution assistance otherwise exempt from the law to provide that reporting on wages and benefits is only required where the assistance agreement includes job creation as a goal.
- Clarifies that reports by grantors must include a list of recipients that did not report and a list of recipients that have not met their wage and job goals within two years, and the steps taken to bring them into compliance.
- Eliminates the requirement that reports be filed within 30 days after the deadline for meeting wage and job goals.

- Reinstates reporting requirements under the old corporate welfare law (116J.991) enacted in 1995. Effective January 1, 2001 and applicable for subsidies granted between July 1, 1995 and July 31, 1999.
- Makes a few other technical changes.  
Effective August 1, 2000 except as stated above.

### **County EDAs**

Chapter 484 (H.F. 2591\*/S.F. 2415) authorizes counties outside the seven-county metropolitan area to create economic development authorities upon recommendation from a local committee comprised of local government units, development agencies, and other interested parties. The committee report can recommend one of four options: (1) the establishment of a county EDA with certain limitations; (2) that an existing county HRA take on the powers of an EDA; (3) that the county pursue special legislation; or (4) no change in the current structure. The committee’s report may also provide for up to a two-mile extraterritorial area from city boundaries that would be controlled by the affected city. (The extraterritorial definition was slightly modified by Chapter 493.)

Generally, the area of operation of a county EDA will include all cities that have passed a resolution electing to participate. At five-year intervals, participating cities will have the option to withdraw from participation in the county EDA but they will still be liable for any projects undertaken while in participation. Any city that does not desire to participate may adopt a resolution electing not to participate and prohibiting the county EDA from operating within its boundaries, within an agreed upon urban service area, and within any identified extraterritorial radius. Property taxpayers in non-participating cities will not be subject to any county EDA tax levy.

This legislation will not affect existing city and county EDAs. Special authority is also provided for Koochiching County and Yellow Medicine County to create economic development commissions. Effective August 1, 2000.

### **Omnibus state departments supplemental appropriations**

Chapter 488, Articles 1 and 2 (H.F. 2699\*/S.F. 3798) contain the following appropriations for the Department of Trade and Economic Development (DTED) appropriations:

- \$750,000 for labor force assessment grants.
- \$1 million for grants to encourage rural Internet access.
- \$1,021,000 for the tourism loan fund.

\$800,000 in un-spent funds from a 1997 appropriation to the Pathways Program is canceled and returned to the general fund.

Additionally, the availability of a previous grant to Advantage Minnesota is extended, appropriations made in 1999 to the Job Skills Partnership Board will be available until they are expended, and the commissioner of adminis-

tration will assist the commissioner of economic security and the MnSCU Board of Trustees to develop and report to the Legislature on a 10-year plan for locating workforce centers on MnSCU campuses.

### **Omnibus bonding bill**

Chapter 492 (H.F. 4078\*/S.F. 3811) includes a \$6 million appropriation to DTED's Redevelopment Account for grants to communities for redevelopment activities.



## **Elections**

### **Election procedures**

Chapter 467 (H.F. 2826\*/S.F. 2673) contains a number of election administration changes requested by the secretary of state, along with provisions added at the request of local election administrators. A number of the provisions are important to cities.

Section 5 provides that forms on which persons vouching for those registering on election day must be attached to the voter registration card and may no longer be removed once the new voter's address has been verified.

Section 6 provides that absentee ballot applications must be approved (not simply accepted) if they are received in a timely manner and all other application requirements are satisfied.

Section 11 requires write-in candidates for state and federal elective office to file written requests no later than the day before the general election for votes to be counted in such races. Section 21 clarifies that the result of such write-in votes cast that are to be compiled by the county auditor for the county canvass are not to be counted unless the candidate in question filed a request as required above.

Section 12 allows candidates for state office to withdraw from the primary if they file an affidavit of withdrawal no later than two days after the last day for filing. (Current law allows such candidates up to three days to withdraw.)

Section 13 simplifies circumstances under which combined polling places may be established outside the metro area by deleting the requirement that such precincts be in the same congressional, legislative, and commissioner district.

Section 14 changes the procedures for filing base maps to show changes to precinct boundaries. In the future, city clerks will have to request a base map from the secretary of state on which to record those changes, which must be filed within the 30 days after the change is made. The secretary of state had previously been required to provide those base maps to local election jurisdictions.

Section 15 provides that, unless more than one precinct is located entirely within a census block, for the first two years after the federal census, precinct boundaries must follow census block lines.

Section 18 provides that high school students may be appointed trainee election judges to serve in the county where they reside, rather than solely in the city or township in which they live.

Section 19 extends the time frame during which election materials must be retained to correspond to federal requirements of at least 22 months.

Section 26 allows candidates for city elective offices who are out of the state during the filing period to submit an affidavit of candidacy along with filing fees and any required petitions during the seven days prior to the candidate's absence. In cities of the first class and in any home rule charter city where use of nominating petitions is authorized, such petitions may be signed during the 14-day period prior to the date on which the affidavit of candidacy is filed. Section 29 establishes similar procedures for school board candidates.

Section 27 extends the deadline for candidates for city elective office to withdraw from the election to no later than 5 p.m., two days after filings close, rather than noon of the day after filings close. Section 30 extends the deadline in the same manner for school board candidates. Section 34 extends the deadline in the same manner for hospital board candidates.

Section 28 allows ballots printed for second, third, and fourth class city elections to be printed in quantities of 25, 50, or 100, rather than only in blocks of 50.

Section 31 requires optical scan primary ballots that contain both partisan and non-partisan offices to include instructions to voters that indicates voters are permitted to vote for candidates of one political party only on the partisan ballot. If political party columns are printed on both sides of the ballot, instructions must include a statement explaining that additional political parties are listed on the other side. Other requirements are for inclusion of a statement at the bottom of each political party column on the primary ballot that indicates voters are to continue voting on the non-partisan ballot.

Section 33 specifies that the terms of office of hospital district board members begin on the first Monday in January, a time frame that is now in force for all other local elective offices.

These provisions are effective August 1.

### **Election of councilmembers by ward**

Chapter 257 (H.F. 2535\*/S.F. 2291) is a special law authorizing the city council in Shorewood (a statutory city) to adopt an ordinance for election of city councilmembers by ward. The ordinance may also provide for staggered terms. Provisions of other statutes pertaining to redefining ward boundaries and redistricting wards also apply to wards created under terms of this chapter. Effective upon local approval.



### Omnibus state departments appropriations

Chapter 488 (H.F. 2699\*/S.F. 3798) contains the following environmental appropriations and policy changes:

- *Wastewater infrastructure administration.* Article 3, section 2 appropriates \$317,000 to the MPCA to administer the WIF construction program.
- *Wetlands replacement.* Article 3, section 3 appropriates \$400,000 to Board of Water and Soil Resources (BWSR) to provide technical and professional services to communities replacing wetlands.
- *Drainage authority funding authorization.* Article 3, section 27, subd.5 authorizes a drainage authority to accept and use funds from sources other than those derived from assessments for wetland preservation and restoration or for the creation of water quality improvements or flood control.

### Omnibus bonding bill

Chapter 492 (H.F. 4078\*/S.F. 3811) appropriates approximately \$60 million in state bonds, including the following environmental provisions:

- Flood hazard mitigation grants: \$14 million
- Lewis & Clark Water Project: \$610,000
- Local government road wetland banking: \$3.3 million
- Rural Finance Authority funding: \$20 million
- Ag BMP loans, feedlots: \$1 million
- State revolving loans for water and wastewater projects: \$12.9 million
- Wastewater infrastructure grants: \$18 million
- Clean Water Partnership: \$2 million

Policy provisions in the bonding bill of interest to cities include the following:

- *Notification requirements.* Before the MPCA may issue a permit for a new wastewater treatment facility, the project proposer must provide notice to all affected local governments and the agency must evaluate the costs and benefits of the system and alternatives to the new system.
- *Tracking systems.* The MPCA must prepare an annual report for the Legislature tracking the location and capacity of each new wastewater treatment system permitted with an NPDES or SDS permit.
- *Supplemental funding assistance.* Changes the formula by which the Public Facilities Authority (PFA) may provide supplemental funding assistance (WIF) to project costs certified by the MPCA. The PFA may provide up to \$400,000 (current law) or \$15,000 per existing connection, whichever is less. The formula was also amended to address the USDA's Rural Development Authority's ability to fund multi-jurisdictional projects.
- *Alternative wastewater treatment systems.* The PFA with other stakeholders and agencies shall report to the Legislature regarding the appropriate oversight necessary

for alternative wastewater treatment systems in unsewered communities.

### Special environmental purpose districts

Chapter 321 (H.F. 3596/S.F. 3369\*) creates a series of pilot projects for special environmental purpose districts. The districts shall establish alternative natural resource management models to purposes of showing local government level ability to provide innovative resource protection techniques.

### Environmental response reimbursement

Chapter 376 (H.F. 3250/S.F. 3290\*) expands the scope of the environmental response reimbursement program and allows for the Western Lake Superior Sanitary District landfill program to become eligible for the program.

### Lake improvement districts

Chapter 396 (H.F. 3260/S.F. 2968\*) modifies the law providing for the creation and operation of lake improvement districts. The law clarifies how to establish a district and the method by which to elect board members. The law also provides specific guidance to counties that levy to pay for the operation of lake improvement districts.

### Wastewater Treatment Facility reporting requirements

Under Chapter 370 (H.F. 3576\*/S.F. 3361) public entities owning wastewater treatment facilities will now be required to report on the condition of its existing facility and its identified capital improvements every odd year; the previous law required an annual report.

### Wetlands law modifications

Chapter 382 (H.F. 1493/S.F. 83\*) provides significant modifications to the state's wetlands law. Local governments will be granted more authority to make local wetlands decisions under the law and more flexibility in siting wetlands.

Parts of the bill include:

- DNR authorization to modify the public waters inventory.
- Expanded/consistent enforcement allowing conservation district officials and contractor responsibility provisions for Public Waters (PW) and the Wetland Conservation Act (WCA).
- WCA regulation of excavation in Types 3,4, and 5 wetland areas;
- Modification/flexibility for wetland replacement siting;
- Public Waters Wetlands (PWW) and WCA minimum replacement ratios made the same (2:1, 1:1);
- Modified local government road projects notice procedures (30 days prior);
- DNR participation on technical evaluation panels for projects adjacent to public waters (within shoreland

wetland protection zone, see Minn. Rule 8420.0110, Subp. 44b);

- Exemption from M.S. 326 licensure requirements (soil science, etc.) for persons doing wetland delineation work according to the 1987 delineation manual. A plan to develop a wetland delineator certification program is mandated.
- Authorization for BWSR and DNR to write rules that are exempt from many of the standard procedures for rulemaking so that rules can be in place by August 1, 2000 when the remaining parts of the legislation take effect. The exempt rules must be superceded by permanent rules within two years.

### Feedlot bill

Chapter 435 (H.F. 3692\*/S.F. 3443) modifies Minnesota's feedlot law and directs the Minnesota Pollution Control Agency (MPCA) to amend Minnesota Rules regulating feedlots. Some significant changes include altering of the animal unit configurations and relaxing of the ambient air quality standards. The law requires specific education and training programs to be developed and distributed regarding best management practices and manure application. The feedlot language also guides how and when the MPCA shall issue NPDES permits for animal feedlot waste removal.



## Finance & Taxation

### Omnibus tax bill

Chapter 490 (H.F. 4127\*)

#### • Property tax changes (Article 5)

##### – *Special assessment notice and hearing changes*

Section 32 requires that the notice sent to each property owner of the public hearing to approve a project requiring a special assessment shall contain a statement that a reasonable estimate of the impact of the assessment will be available at the public hearing. Also requires a reasonable estimate of the total amount to be assessed, and a description of the methodology used to calculate individual assessments for affected parcels to be available at the hearing. Effective for notices mailed and hearings held after June 1, 2000.

##### – *Holding property for economic development purposes*

Section 3 allows a political subdivision that has a population less than 5,000 and that is located outside the seven-county metro area to hold property for later resale for economic development purposes for up to 15 years without being subject to property taxes. The limit remains at eight years for all other political subdivisions. Effective for taxes levied in 2000, payable in 2001 and thereafter.

##### – *Changes to Class 3 (commercial-industrial) property*

Section 12 provides that contiguous parcels of com-

mercial-industrial property owned by the same person or entity shall be eligible for the first-tier value class rate on each separate business operated by the owner, provided the business is housed in a separate structure. The law requires property owners who have contiguous parcels of property that constitute separate businesses to notify the assessor by July 1, for treatment beginning in the following taxes payable year. This is necessary since the assessor has no records as to owner-operated businesses. Effective for taxes payable in 2001 and thereafter.

The law clarifies that parcels of commercial-industrial property separated by vacant land or connected by power lines or pipelines are considered to be non-contiguous. The law also clarifies that one parcel, per county, per owner of taxable utility property consisting of fixtures (i.e., poles, wires or pipes) qualifies for the first-tier commercial/industrial utility class rate.

This change is made effective for taxes payable in 2000 and thereafter since it clarifies the intent of the 1999 law change that combined taxable utility property in class 3 (before the change, most utility property was in Class 5).

#### – *Transit zone property classification*

Section 12 clarifies the grandfather rules in the transit zone property classification so that certain property qualifies for the reduced rate as long as the entity that owned the properties on September 1, 2000 still owns them. These exemptions apply to a United Properties building in Golden Valley and to the Minnesota Life building in St. Paul.

Present law requires the entity constructing the buildings or a parent entity to own the buildings. However, these requirements were not consistent with the actual financing and ownership arrangements for the buildings. The changes make it clear that these buildings will continue to qualify for the reduced (2.975 percent) class rate as long as the entity owning the building on September 1, 2000 continues to own the property.

#### – *Changes to Class 4 property*

Section 13 provides that leased or privately-owned, noncommercial aircraft storage hangars and the land on which they are situated are taxed as Class 4c at a class rate of 1.65 percent, provided that:

- The land is on an airport owned or operated by a governmental unit, including the Metropolitan Airports Commission (MAC); and,
- The land lease or other ordinance or signed agreement prohibits commercial activity from taking place at the hangar.

Currently this property is generally taxed at commercial-industrial class rates. The change also requires that if a hangar classified under this 4c classification is

sold after June 30, 2000, a copy of the bill of sale must be filed with the assessor by the new owner within 60 days of the sale. This provision does not change the exempt or taxable status of fixed-based operator or other commercial airport hangars.

– *Changes to the education agricultural credit*

Section 14 increases the rate of the education agricultural credit from 54 percent to 70 percent for agricultural homestead land and buildings up to \$600,000 in market value. The law increases the rate of the education agricultural credit from 50 percent to 63 percent for agricultural non-homestead property. The changes provide that agricultural homestead market value over \$600,000 is treated the same as agricultural non-homestead, for the purposes of the education agricultural credit. Effective for taxes levied in 2000, payable in 2001 and thereafter.

– *Wind energy conversion systems*

Section 15 requires the commissioner of revenue to assess the property of a wind energy conversion system. Under current law, the county assessor is responsible for assessing the wind energy system. Effective for the 2000 assessment and thereafter.

– *Property tax overpayments*

Section 18 clarifies that the statute governing property tax overpayments only applies to overpayments due to receipt of a payment that exceeds the total amount of the tax required to be paid on the property tax statement. Effective for overpayment of taxes made the day following final enactment and thereafter, and applies only to taxes levied in 1999, payable in 2000 and thereafter.

– *Refunds of mistakenly billed taxes*

Section 19 requires counties to refund mistakenly billed property taxes when the amount billed exceeds the accurate tax amount because the property was incorrectly classified, or because of a mathematical error. The provision limits “mathematical errors” to errors made when:

- Converting market value to tax capacity or referendum market value;
- Applying the tax rate to the tax capacity or the referendum market value; or
- Calculating eligibility for a credit.

The law limits refunds under this section to the tax year in which the error is discovered and the two previous tax years, and provides for an appeal mechanism. Effective for overpayment of taxes made the day following final enactment and thereafter, and applies only to taxes levied in 1999, payable in 2000 and thereafter.

– *Senior deferral program changes*

Sections 20 through 27 make several changes to the senior property tax deferral statutes. The law allows a

senior deferral to be granted as long as the total outstanding debt against the property does not exceed 75 percent of the assessor’s estimated market value (EMV) of the property. Under current law, the maximum allowable debt is 30 percent of EMV.

The law eliminates the eligibility requirement that there can’t be delinquent taxes or delinquent special assessments on the property and still qualify for the program. This section is generally effective for current and future applicants, but also applies retroactively in certain limited circumstances. The law adds deferred delinquent property taxes, special assessments, penalties, and interest to the lien created by participating in the deferral program. The law clarifies that in the case of properties with more than one qualifying homeowner, the property tax deferral is not automatically terminated by the death of one homeowner.

The law adds penalties, special assessments, and interest included in the total deferred amount in the amount payable when a participant leaves the program. The law expands the appropriation for the senior deferral program to include payment of delinquent taxes, delinquent special assessments, penalties, and interest. Most of these changes are effective retroactively for taxes payable in 2000.

– *Special assessment for 911 services*

Sections 30 through 31 expand the definition of a municipality eligible to use the special assessment procedures of chapter 429 to include a county for certain expenses related to the operation of enhanced 911 telephone services. The law also expands the definition of improvements eligible for special assessment to include certain county expenses related to addressing the needs of an enhanced 911 telephone service. Effective the day following final enactment (May 16, 2000).

– *Airflight property tax lien*

Sections 1 and 2 clarify that airflight property is valued for tax purposes as of January 2 in the assessment year. Under current law, it is unclear whether the lien for this tax attaches on the January 2 valuation date, on September 1 when the tax amount for the following year is determined, or some other date. New language clarifies that the lien for the tax attaches on the same date.

Since this is a personal property tax, the lien attaches to all of the taxpayer’s property within the state. Section 40(a) repeals special provisions under which the attorney general is required to bring an action in court in order to enforce the tax. The tax, plus any applicable penalties and interest, will now be enforced under the general statutory lien and levy powers of the commissioner of revenue. Effective for taxes payable in 2001 and thereafter.



– *Electric utility peaking facility*

Section 4 exempts from property tax an electric utility peaking facility proposed to be constructed in Mower County provided it meets specific requirements. The law provides that attached machinery and other personal property that is part of a simple-cycle combustion-turbine electric generation facility which exceeds 250 megawatts of installed capacity is exempt from property taxation if it meets all of the following criteria:

- It uses natural gas as a primary fuel.
- It is located within 20 miles of parallel existing 16-inch and 12-inch (outside diameter) natural gas pipelines and a 345-kilovolt high-voltage electric transmission line.
- It is designed to provide peaking, emergency backup, or contingency services, and has received a certificate of need under section 216B.243 demonstrating demand for its capacity.
- Construction of the facility must begin after January 1, 2000, and before January 1, 2004.

The exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

– *Green acres*

Section 6 allows Green Acres treatment to extend to noncontiguous agricultural land that is farmed with qualifying agricultural land, if the noncontiguous parcel is within four townships of the qualifying land. Current law limits carryovers in these situations to noncontiguous land that is within two townships of the qualifying land.

These changes are similar to the 1998 changes in the agricultural homestead definition statute, under which noncontiguous land up to four townships away will be included in the agricultural homestead for property tax purposes. Effective for taxes payable in 2000 and thereafter.

– *Tax treatment of storage sheds and decks*

Section 11 exempts from property taxes, a storage shed, deck, or similar improvement that is constructed on a site for a travel trailer that is considered property and has a total estimated market value of \$500 or less. Under current law, these are all taxable regardless of their market value. Effective beginning with the 2000 assessment.

– *Payments in lieu of taxes*

Article 6, Section 1 provides that payments in lieu of taxes to a county or town for public hunting areas, game refuges, and goose management croplands are reduced by the amount of payments to that county or town for that year under the general payment in lieu of taxes (PILT) provision. Effective for payments made in calendar year 2001 and thereafter.

– *PILT county allocation*

Article 6, Section 2 requires that payments under the PILT formula for public hunting areas, game refuges, and goose management croplands must be allocated within the county under the existing formula for those lands. Effective for payments made in calendar year 2001 and thereafter.

• **Levy limits (Article 6)**

– *Levy limits sunset*

Chapter 490 allows levy limits, currently applied to all counties and cities over 2,500 population, to sunset for taxes payable in 2001.

Although levy limits are allowed to expire, the chapter adds to the list of “special levies” any amount for repayment of a state or federal loan used to fund the local government portion of a state or federal transportation or other capital project. This special levy authority may only be used if the local government did not initiate the project.

The chapter also makes a retroactive technical correction to the levy limit calculation for taxes payable in 2000. The law clarifies that the new taconite “mining effects” aid enacted by the Legislature in 1997 was not intended to be subtracted in determining a city’s levy limit. At the time that the new aid was enacted, levy limits were set to expire in 1999, which was before the mining effects aid was scheduled to first be paid. Levy limits were extended to taxes payable in 2000 during the following 1999 legislative session.

• **Local Government Aid (Article 6)**

– *Current law increases continued*

The current law inflationary adjustment to the Local Government Aid (LGA) formula is preserved. This will provide an additional \$14 million for the 2001 LGA distribution.

– *City-specific increases*

Section 6 permanently increases the city aid base (the grandfathered portion of LGA) beginning with aid payable in 2001 for cities that meet certain criteria. This change provides an additional \$32,000 of LGA for the city of Kelliher and an additional \$7,200 of LGA for the city of Darwin. In addition, the city of Osseo qualifies for an additional \$45,000. These increases are funded out of the current city LGA appropriation. Effective for payments made in calendar year 2001 and thereafter.

Section 19 provides additional one-time payments in 2001 to the city of St. Cloud and the city of Ventura (formerly known as St. Augusta Township) for legal costs related to the attempted municipal incorporation of St. Augusta Township prior to the municipal board’s termination. The payments are financed out of the general city LGA appropriation increase. The provision

is effective upon compliance of each municipality with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

– *LPA fold-In*

Section 7 increases the LGA appropriation by the amount necessary to fold-in Local Performance Aid (LPA). Under the 1999 omnibus tax bill, Local Performance Aid was eliminated and the aid paid in 1999 was to be added to each city's local government aid payments beginning in 2000. However, the LGA appropriation section was not adjusted to reflect this change. Effective for aid payments made in 2000 and thereafter.

Sections 8 and 9 delay the year in which 4d low-income apartment aid is added to LGA from 2002 to 2004. This aid was created to provide assistance to cities with a substantial amount of apartment property converted to the preferential 4d classification. This change will allow the 4d-aid program to function for two more years. This section is effective for aid payable in 2000 and thereafter.

– *Natural resources land payments in lieu of tax*

Sections 11 through 14 provide for inflation adjustments of the amounts paid as payments in lieu of taxes for natural resources land beginning in 2001 and thereafter. Under current law, the payments are \$3 per acre for acquired natural resources lands, 75 cents per acre of county-administered other natural resources land, and 37.5 cents per acre for commissioner-administered other natural resources land.

Under Chapter 490, the amounts will be increased by the increase in the implicit price deflator for the period starting with the first quarter of 1994 and ending with the third quarter of the calendar year prior to the year in which the aid is paid. Administration of the programs is transferred from the commissioner of natural resources to the commissioner of revenue.

• **Motor vehicle license tax (Article 7)**

– *Tab fee reduction*

Chapter 490 includes the governor's recommended reductions in automobile license tab fees. Under the law, the maximum registration tax on passenger automobiles is reduced to \$189 in the second year after initial registration and \$99 in the third through tenth years.

– *Revenue replacement*

To offset the revenue reduction in the highway user tax distribution fund, the law appropriates \$149.8 million in fiscal 2001 and \$161.7 million in fiscal 2002 from the state's general fund. These amounts are roughly equal to the current estimates of license fee revenues to the highway user tax distribution fund.

In the third year, the bill statutorily dedicates 32

percent of revenue from the motor vehicle sales tax to the highway user tax distribution fund. Under current estimates, the sales tax on motor vehicles is expected to grow at a slower pace than license tax revenue, which if realized, could affect the future revenues available to the fund. Revenue placed in this fund is allocated to state highways and state aid to county roads and city streets. The dedication would apply to revenue received in fiscal year 2003 and subsequent years.

• **Sales tax provisions (Article 8)**

– *June accelerated payment*

Section 3 reduces the percent of the June sales tax liability (known as the June accelerated payment) that must be remitted before the end of June from 75 percent to 62 percent. Only filers with an annual liability of \$120,000 or more are subject to the June accelerated payment requirement. This portion of the section is effective beginning with the June 2002 liability.

The chapter also changes the effective date for newly mandated sales tax electronic funds transfers (EFT) so that the first required EFT payment is made for the period *beginning* in the new calendar year rather than the first payment *due* in the new calendar year. This portion of the section is effective the day following final enactment.

– *Penalty for misusing sales tax exemption certificates*

Section 2 clarifies that the penalty for the misuse of an exemption certificate in an effort to evade sales tax applies to purchases of taxable services as well as to purchases of taxable property. Effective for exemption certificates used on or after July 1, 2000.

– *Exemption for materials used to make residential property handicapped accessible*

Section 12 creates a sales tax exemption for veterans groups or nonprofit groups organized for charitable, religious, educational, or civic purposes on purchases of materials and supplies used to make a private home handicapped accessible. This exemption is only allowed if the materials used in the modifications would have been exempt from the sales tax if purchased by the homeowner. Effective for sales and purchases made after June 30, 2000.

– *Exemption for cemetery upkeep and maintenance*

Section 13 exempts lawn care and related services used in cemetery maintenance from the sales tax. Effective for sales and purchases made after June 30, 2000.

– *Local sales tax on motor vehicles prohibited*

Section 21 prohibits any political subdivision from imposing a tax on the sale, transfer, or use of a motor vehicle greater than \$20 per vehicle. This provision only affects the city of Duluth. All other cities with local sales taxes are currently allowed to impose a \$20

maximum tax. The law also creates a mechanism for reducing the local sales tax over four years if it currently exceeds the \$20 per vehicle limit. If a local government is currently imposing such a tax it must be reduced by 25 percent per year beginning in 2001. By January 1, 2004, no local government may impose a tax on motor vehicles except as provided in subdivision 2.

The law permits a political subdivision whose tax is terminated under the prohibition to impose, by ordinance, an excise tax of up to \$20 per motor vehicle that is purchased or acquired from any person engaged within the territory of the political subdivision in the business of selling motor vehicles at retail. The law requires the tax proceeds to be used for the same purposes for which the previous sales tax was used. Effective July 1, 2000.

– *Development of sales and use collection system*

Section 22 authorizes the commissioner of revenue to enter into agreements with other states to develop a simplified sales and use tax collection system. The bill also authorizes the state to participate in any temporary pilot project to test the implementation of any proposed system.

Due to the growth of electronic commerce and the number of multi-state retailers, a number of states are working together to develop a “no burden” sales tax collection system. If successful, this project would yield a system that would reduce the burden of sales tax collection and may enhance the future ability of the states to collect taxes currently due on remote sales.

The provision requires the commissioner to submit a report to the chairs of the House and Senate tax committees by March 1, 2002, describing the status of the discussions, the proposed system, if any, and a recommendation on state participation in the proposed system.

• **Miscellaneous**

– *Revenue recapture for municipal ambulance services (Article 13)*

Chapter 490 adds municipal ambulance services to the list of claimant agencies under the Revenue Recapture Act. This will allow these ambulance services to submit their unpaid bills to the Department of Revenue where the individual's liability will be offset against tax refunds that the Department of Revenue pays to the debtor. Under current law, municipal hospitals, public libraries, and cities are authorized to use revenue recapture.

**Public finance bill**

Chapter 493 (H.F.4090/S.F.3730\*), the public finance bill, contains several provisions of interest to cities.

• **Airport G.O. debt without election**

Section 2 authorizes municipalities to issue bonds for the construction or improvement of an airport without an election if three requirements are met:

- a) the governing body of the municipality estimates that passenger facility charges and other revenues pledged to the debt service will be equal to at least 20 percent of the debt service on the bonds in any year; and
- b) the project receives a federal grant; and
- c) the principal amount of the bonds are 25 percent or less of the amount of the federal grant.

Under present law, these bonds may be issued without voter approval if 60 percent of the governing body of a joint board approves issuance, as well as 60 percent of the members of each municipality that is a party to the joint powers agreement. Currently, there is no exemption for airports operated by a single municipality.

• **County Debt Guarantee**

Section 3 authorizes the state to guarantee payment of certain county debt obligations. With the state's backing, a county will be able to issue debt at a reduced interest rate. However, the state backing comes with state strings attached.

This provision is modeled on a law that currently applies to certain school district debt. The county program is administered by the state public facilities authority (PFA) and the commissioner of finance and used to finance correctional facilities, law enforcement facilities, social services or human services facilities, solid waste facilities, courthouses, administrative buildings, roads, and bridges.

The obligations must be covered by a qualified agreement between the county and PFA. If a county determines that it cannot pay the debt service on a qualifying outstanding debt obligation, it would notify PFA. After the PFA investigates the information provided by that county, it notifies the commissioner of finance of the potential default. The commissioner of finance would authorize PFA to make the debt service payment that is due.

If the state pays principal or interest on a county's debt obligation, the pledge of the full faith and credit and taxing powers of the county to repay the principal and interest due on those debt obligations becomes a pledge to repay the state with interest.

If the state has made such a payment, it may reduce the homestead and agricultural credit aid, disparity reduction aid, county criminal justice aid, and family preservation aid payments to the county by the amount of the payment of the county's debt under this provision. If PFA reviews the financial situation of the county and determines that a total reduction of the aids would cause an undue hardship on the county, it may, with the

approval of the commissioner of finance, establish a different schedule for the aid reductions to repay the state

As an alternative to aid reductions, the PFA can approve an extra county levy to repay the state with interest. If the state is not repaid in full by November 30 of the calendar year following the year in which the state makes the payment, the PFA will require the county to certify a property tax levy in the amount necessary to provide funds for repayment. To avoid undue hardship, the commissioner may allow the county to spread this levy over five years. The levy increases the levy limit of the county for the purposes of the truth-in-taxation process and must be explained as a specific increase at the truth-in-taxation meeting.

- **Special Service District law extended**

Section 4 extends the general law authority to establish special service districts from June 30, 2001, to June 30, 2005. Special service districts have been established in some cities to provide a greater level of certain municipal services, most notably in retail areas. Under present law, after June 30, 2001, a special authorizing law would be required to establish a special service district.

- **Special assessment bonds for Internet access**

Section 5 permits the issuance of assessment bonds for Internet access and other communications purposes. However, the city council must find that the services provided through these facilities would not be available through the private market or other providers.

- **Discontinued district heating system**

Sections 6 through 12 apply to cities owning and operating a district heating system either directly or by a utility commission, which are discontinuing the district heating system in whole or in part. The provisions allow these cities to establish programs to replace heating equipment for property owners whose district heating service is discontinued.

- **Transit bonds**

Section 14 increases the Metropolitan Council's bonding authority for transit capital expenditures by \$19.4 million (from \$36 million to \$55.4 million). The authority to issue \$36 million was provided in the 1999 session. These bonds are backed by metropolitan area property taxes

- **Residential rental bonds**

Section 15 allows the use of the proceeds of residential rental bonds for rehabilitation of all types of existing buildings. Under current law, use of these bonds is limited to rehabilitation of existing multifamily buildings.

- **Variable interest rate bonds**

Section 16 expands the authority to issue variable interest rate revenue bonds. Under the provision, cities under 7,500 in population could issue variable rate revenue bonds. However, these cities would continue to be prohibited from issuing general obligation variable rate bonds. Also, the section allows non-G.O. variable rate bonds with a rating lower than A to be issued. Variable rate G.O. bonds with a rating above A could be issued by cities over 7,500 population. This section also eliminates obsolete references to the repealed limit on bond interest rates and clarifies that the levy is based on an estimate of the interest, rather than the maximum rate.



## **General Government**

- **Omnibus bonding bill**

Chapter 492 (H.F. 4078\*/S.F. 3811) incorporates significant capital funding provisions for cities. These provisions are listed individually under economic development, environment, housing, public safety, and transportation.

Also included in the law is language changing the governor's ability to withhold bond proceeds. The law providing for bonds to be released on request of the governor was deleted from Minnesota statutes and the law now requires the commissioner of finance to let the bonds.

- **Rules petition sunset extended**

Chapter 335 (H.F. 3327/S.F. 2676\*) authorizes cities and counties to petition the state to amend or repeal state agency rules. To challenge a rule, the petitioner must demonstrate the rule is no longer needed or reasonable, or the petitioner must demonstrate a less costly or intrusive method of achieving the purpose of the rule. The authority to petition is also extended to sanitary districts. The law now has a sunset date of July 31, 2006.

- **Electronic pawn records**

Chapter 274 (H.F. 3766\*/S.F. 3676) requires pawnbrokers who use computerized tracking of pawn items to use a uniform electronic format. Approximately 30 communities currently require pawnbrokers to use computerized tracking of pawn items. Other communities may find that uniformity is an incentive to implement computerized tracking to better trace property that may have been stolen. Effective March 24, 2000.

- **Omnibus gambling law**

Chapter 300 (H.F. 3219/S.F. 2903\*) makes a number of relatively minor changes to the lawful gambling statutes including expanding the definition of "lawful purpose,"

changing paddlewheel location and prize requirements, allowing alternative premises payments by lawful gambling organizations, and requiring manufacturers to sell gambling supplies in certain cases. Effective April 1, 2000.

#### **Minnetonka newspaper designation**

Chapter 305 (H.F. 3399/S.F. 3145\*) allows the city of Minnetonka to designate a newspaper with a major secondary office within the city as its official newspaper. The newspaper must have a circulation of at least 5,000 and must provide home delivery to a majority of the city residents. Effective April 1, 2000.

#### **Omnibus liquor law**

Chapter 440 (H.F. 3974/S.F. 3581\*) contains the following modifications to the state liquor laws:

- An exception to the general prohibition against selling and consuming intoxicating liquor at the state fairgrounds is created. The sale and consumption of intoxicating liquor will now be authorized at special events occurring on the fairgrounds when the annual state fair event is not taking place. These special events may include, but are not limited to, family reunions, class reunions, weddings, conventions, and other similar events.
- The definition of "club" is modified to reduce the threshold to more than 30 members rather than more than 50 members.
- Commercial establishments are authorized to make wine on the premises only for personal and family use on the premises without obtaining a license.
- Liquor stores are permitted to offer wine-tasting events with certain time frames and other parameters.

The omnibus liquor law also includes special laws for the cities of:

- Anoka—on-sale wine license for the Main Street Stage Theatre.
- Bemidji—exemption from a provision in the state liquor laws prohibiting licenses within 1,500 feet of a state university.
- Cottage Grove—on-sale intoxicating liquor license for the River Oaks golf course grounds, clubhouse, and restaurant.
- Duluth—on-sale intoxicating liquor license to the Lake Superior Center authority for certain events including banquets and conferences with a fee to be set by the city council.
- Eveleth—on-sale intoxicating liquor license to the Quad Cities Joint Recreational authority.
- Minneapolis—on-sale wine license to the Illusion Theatre and the Hollywood Theatre.
- Springfield—authorization for the holder of a retail on-sale intoxicating liquor license to dispense intoxicating liquor at an event on December 31, 2000 and January 1, 2001 at a city-owned facility.

Effective August 1, 2000. Special laws are effective upon local approval.

#### **Impounded bicycle registration**

Chapter 462 (H.F. 2489\*/S.F. 2796) authorizes local units of government to require those purchasing impounded bicycles to register them as a condition of the sale. Effective August 1, 2000.

#### **Penalties for illegal sales of tobacco**

Chapter 472 (H.F. 2655/S.F. 2845\*) reduces the penalty for the first offense of selling tobacco to a minor from a gross misdemeanor to a misdemeanor. A second offense within five years of a previous conviction will be a gross misdemeanor. The same penalty structure will apply to persons who furnish tobacco to minors. Underage persons who try to purchase tobacco using a false identification card will be guilty of a misdemeanor except during the course of a compliance check. Retailers, including municipal liquor stores, that have reasonable grounds to believe a form of identification has been altered are authorized to seize the identification but must deliver it to a law enforcement agency within 24 hours. Effective August 1, 2000 and applicable to violations occurring on or after that date.

#### **State butterfly**

Chapter 306 (H.F. 2588/S.F. 2326\*) designates the Monarch butterfly (*Danaus plexippus*) as the official butterfly of the State of Minnesota. Effective April 1, 2000

#### **Corporations created by local units of government**

Chapter 455 (H.F. 2673/S.F. 2521\*) generally prohibits local governments from creating new corporations without special legislation. The bill allows a joint powers entity to incorporate itself, but the new corporation would need to comply with all applicable public sector laws. The bill does not affect municipal authority to create entities such as EDAs, HRAs, or to similar entities specifically authorized elsewhere in statute. The bill also repeals the sunset of existing corporations.

The law also ratifies existing local government created corporations and creates a process for exemptions from certain laws that apply to local governments. Any corporation that is controlled in a significant way by a local government (i.e., the governing body of the municipality is the board of the corporation, a majority of corporation's board consists of local officials, or the budget of the corporation is reviewed and approved by the municipal governing body), may continue to exist if authorized by resolution of the municipal governing body.

The existing corporation must comply with all applicable public sector laws, unless the resolution of the governing body specifically exempts the corporation from

the public sector laws. The resolution must include detailed findings as to why the purposes of the corporation cannot be fulfilled if the corporation had to meet the public sector requirements. The resolution may not exempt the corporation from having to comply with the open meeting law or the Data Practices Act.

There are several other important requirements and conditions that must be met in order for existing corporations to continue. If your city has an existing nonprofit corporation, review the specifics of the law with your city attorney.

#### **Township dissolution**

Chapter 256 (H.F. 2722\*/S.F. 2502) provides legislative authority for the dissolution of a township in Kittson County due to the lack of individuals living in the township to authorize dissolution locally.

#### **Lake Edward name change**

Chapter 253 (H.F. 2521/S.F. 2320\*) provides statutory approval for Lake Edward township to change its name to Lake Edward.

#### **Hospital district annexation**

Chapter 290 (H.F. 3016/S.F. 2756\*) provides for the annexation into the hospital district of any city or town that is contiguous to a city or town that is contiguous to the hospital district.

#### **Economic loss doctrine**

Chapter 358 (H.F. 1267/S.F. 1126\*) clarifies the procedure for civil actions stemming from the doctrine of economic loss. The law provides a comprehensive statute governing economic loss relating to any claim arising from harm caused by a defect in the goods sold or leased, or for a misrepresentation relating to the goods sold or leased. The law does not allow for an economic loss claim for injury to the person.

#### **State designer selection board**

Chapter 384 (H.F. 3195/S.F. 3701\*) modifies the membership structure of the state's Designer Selection Board to include the AIA, Associated General Contractors Association, the University of Minnesota, or MnSCU as organizations that must be consulted and allowed to provide names for nomination to the Board.

#### **Energy code compromise bill**

Chapter 407 (H.F. 2570/S.F. 3259\*) allows newly constructed homes to meet energy efficiency standards in one of two ways. New homes can be built to the state's building code Category I energy standard, Minnesota Rule 7670 or the state's recently developed energy code Minnesota Rule 7672. Category II is no longer an option. The

Category I standard requires ventilation and better sealed homes. The energy code requires air exchangers, mechanical ventilation, and even tighter home construction techniques. These code options go into effect for all permits applied for on or after April 15, 2000.

#### **Bleacher safety law modifications**

Chapter 417 (H.F. 2846/S.F. 3272\*) exempts bleachers 55 inches or less and exempts retractable bleachers with open spaces 9 inches or less from the bleacher safety standards passed by the Legislature in 1999. The law requires bleacher guardrails to comply with the standards for all parts of the guardrail 30 inches above grade or the floor, and extends the filing date for the certificate of compliance to January 1, 2002.

Retractable bleachers that have been exempt from the standards must have a safety management plan in place and adopt an amortization schedule for those bleachers to plan for their replacement in the future. In addition, school districts may designate someone other than a certified building official or state-licensed design professional to provide the certificate of compliance to the state. The omnibus bonding bill, Chapter 492, exempts bleachers owned by the University of Minnesota, MNSCU, or private colleges and universities with open spaces not exceeding 9 inches from the safety requirements.

#### **Local purchasing bill**

Chapter 328 (H.F. 3152/S.F. 2905\*) increases the competitive bid threshold for cities and counties. Last year, a similar bill was vetoed by the governor based upon his concerns that the \$50,000 threshold was too big of an increase for the state's smallest cities. Under Chapter 328, cities under 2,500 population will have the competitive bid threshold increased to \$35,000 while larger cities will have the threshold increased to \$50,000. The law is effective August 1, 2000. Any bidding or purchasing process initiated prior to the effective date of this law should abide by the existing law that has a \$25,000 threshold.

The act includes two other provisions. Cities and counties may contract for the purchase of supplies, materials, or equipment without regard to the competitive bidding requirements if the purchase is through a national municipal association's purchasing alliance or cooperative created by a joint powers agreement that purchases items from more than one source on the basis of competitive bids or competitive quotations.

The act also allows a county board to authorize the use of a credit card by any county officer or employee otherwise authorized to make a purchase on behalf of the county. Cities were not included in this provision.

#### **Nursing home facility closures**

Chapter 364 (H.F. 3537/S.F. 3198\*) specifically guides the closure of nursing facilities, including relocation and the

handling of funds. The law details phased closure plans, budgetary considerations, and asset preservation.

### **Energy code development transferred**

Chapter 297 (H.F. 3281/S.F. 2691\*) transfers the development of the state energy code from the Department of Public Service to the Department of Administration, Building Codes and Standards Division.

### **Contested rulemaking**

Chapter 469 (H.F. 3000/S.F. 3234\*) amends Minnesota's statute allowing the Legislative Coordinating Commission to contest agency rulemaking by adding the House and Senate Governmental Operations Committees to the entities empowered to challenge the necessity and accuracy of state agency rules. In addition, the law requires state agencies to abide by a structured rule-making schedule and make a report to the Legislature regarding agencies pending rules.

### **Electrical Board fee increases**

Chapter 488 (H.F. 2699\*/S.F. 3798), the omnibus state departments Appropriations Act, in Article 2, section 20, increases the fees allowed for licensing and electrical inspections provided by the Board of Electricity.



## **Growth management and land use**

### **Boundary adjustments/ADR process**

Chapter 446 (H.F. 3586/S.F. 2951\*) clarifies the new boundary adjustment process created in 1999. The new process is the replacement for the repealed municipal board process. This law is designed to clarify the role of the director of the Office of Strategic and Long Range Planning in boundary adjustment disputes and to direct cost allocation.

The bill was amended by the House to provide for a vote by township residents if a significant portion of the township was to be annexed. The House bill also included language to assign costs to the parties involved in dispute resolution. The vote provision was deleted from the bill in conference committee, and the cost assignment language was significantly modified by the conferees.

The final version of the bill as signed into law allows the director of the Office of Strategic and Long Range Planning to require dispute resolution in place of traditional boundary adjustment hearings of Minnesota Statute Chapter 414. Alternative dispute resolution may include mediation and arbitration or administrative law judge hearings or another process as selected by the director. Cost allocation may be agreed to by the parties in advance of the process. If the parties are unable to resolve cost allocation, the mediator, arbitrator, or administrative law

judge will allocate costs on an equitable basis.

### **Omnibus state departments appropriations**

Chapter 488 (H.F. 2699\*/S.F. 3798) includes the following planning grants:

- Article 16, section 3 appropriates \$200,000 to the Office of Strategic & Long Range Planning for grants of up to \$50,000 each to regional development commissions or other organizations authorized to do regional planning on behalf of local governments; and
- Article 16, section 19 appropriates \$100,000 grant to Mankato to complete the area growth management plan and requiring the city to report to the 2002 Legislature with its results.

### **County plat review**

Chapter 497 (H.F. 672/S.F. 702\*) clarifies the role of counties, cities, and towns in the review of plats abutting county roads. The bill was amended significantly in both the House and Senate to accommodate the concerns cities expressed about the bill as originally introduced. As a result of successful negotiations between the Association of Minnesota Counties and the League of Minnesota Cities, a compromise was reached to preserve city and town plat authority while improving the process of communication between cities, towns and counties regarding plats adjacent to county roads.

The bill essentially clarifies the process for city, town, and county plats to be reviewed by the county and state. It directs counties to promulgate guidelines for ingress and egress and right-of-way onto county roads. In the event there are insurmountable disagreements between the city or town and county over a particular plat's access to county roads, the city or town must meet with the county to discuss the plat and the implications the plat will have on the transportation system.



## **Housing**

### **Omnibus state departments supplemental appropriations**

Chapter 488 (H.F. 2699\*/S.F. 3798) provides \$30 million in federal welfare reform Temporary Assistance for Needy Families (TANF) funds for affordable housing, as well as an additional \$20 million for loans to Minnesota Habitat for Humanity for construction of affordable housing throughout the state. There is also an additional \$3 million for supportive housing initiatives over the biennium. Other measures provide for \$200,000 for the YouthBuild Program, as well as \$175,000 for the Home Share program, and \$1 million for a supportive housing pilot project for TANF-eligible families.

Finally, provisions repeal requirements for exclusion of \$100 a month in benefits for families living in subsidized housing, and appropriate an additional \$5.6 million to the state MFIP program to cover the additional cost to the program over the biennium.

The Minnesota Housing Finance Agency (MHFA) also receives an additional \$500,000 from TANF funds to be available until the end of the 2001 fiscal year (June 30, 2001) for the family homeless prevention and assistance program (Article 1, Section 4).

Article 8, Section 2 authorizes the transfer of \$50 million in TANF funds by June 30, 2001, to MHFA for the housing development fund. Projects funded from these sources will be known as the Bruce E. Vento 2000 Affordable Housing Program. Up to \$15 million may be made available for that purpose before July 1. Habitat for Humanity is to receive \$20 million of the TANF funds as an interest-free deferred loan that will become due in the event Habitat for Humanity does not invest mortgage loan payments in new mortgages Habitat provides for additional homebuyers. Provisions also call for Habitat for Humanity generally to allocate these funds to chapters throughout the state based on the number of households on state economic assistance (MFIP) within chapter service areas.

MHFA is directed to use the remaining \$30 million for the Affordable Rental Investment Fund (ARIF) Program over the next two fiscal years, beginning July 1. Again, the number of units financed under these provisions is to reflect the number of MFIP households residing in the city, county, or region compared to the statewide total. The funds are to be used to finance housing for families receiving MFIP who have become ineligible for state economic assistance because of increased employment income or child support.

State agencies are required to "establish cooperative relationships" with county agencies, local employment and training services, and local social service agencies or others providing assistance to such families. MHFA is required to develop strategies to encourage households most in need of subsidized housing to move either into homeownership or unsubsidized housing as those households secure stable employment and become more self-sufficient. The Legislature is also to receive a report on the results of this program by January 15, 2003.

These sections are effective the day following final enactment.

### **Housing collaboration**

Chapter 489 (H.F. 3800\*/S.F. 3559), the omnibus education bill, in Section 43, Subd. 4, grants \$25,000 to the city of St. Louis Park for the Meadowbrook collaborative housing project for fiscal year 2001 to enhance youth outreach services, and educational and recreational programming for at-risk youth. Section 44, subd. 3, provides \$1.9 million each in 2001 and 2002 and \$1.95 million in

2003 to reimburse the cost of providing up to four months of transitional housing for families with incomes below 200 percent of federal poverty guidelines.

### **State housing grants or loans to for-profit organizations**

Chapter 424 (H.F. 3901\*/S.F. 3769) authorizes the Minnesota Housing Finance Agency (MHFA) to make grants or loans for housing construction, acquisition, rehabilitation, demolition, financing or refinancing, construction financing, or gap financing to for-profit housing development organizations for homeownership or full-cycle homeownership services.

These provision are subject to the same grant and loan requirements with which cities and nonprofit organizations are required to comply, such as providing funding from other sources as a condition of being awarded a state grant or loan. For-profit firms seeking such state housing assistance would also have to demonstrate the extent to which they will coordinate use of the funds with other housing-related efforts in the geographic area where they intend to develop housing using the grant or loan funds.

Secondly, the project for which funds would be awarded must be consistent with the consolidated housing plan adopted for that city. Grant or loan applicants must notify the city in which such proposed project would be located at least 10 days prior to submitting a grant or loan application. The city may submit comments to MHFA on such applications, and MHFA is required to consider the comments in reviewing applications.

In the metro area, a for-profit organization applying for state housing grants or loans under these provisions would be required to designate neighborhoods where the state funding would be used in the same manner as cities and non-profit organizations are already required to do. A similar requirement is also in place for areas outside the metro area.

This chapter is effective August 1.

### **Transitional housing defined**

The omnibus bonding bill, chapter 492 (H.F. 4078\*/S.F. 3811), clarifies the definition of transitional housing to mean a period not exceeding 24 months except that at any one time one-third of the residents may live up in the housing for up to 36 months.



### **Personnel & Pensions**

#### **Omnibus state departments supplemental appropriations**

Chapter 488 (H.F. 2699\*/S.F. 3798) contains the following appropriations and policy provisions in the area of personnel:

- *Labor force assessment grants.* Article 1, section 2a appropri-



ates \$750,000 in grants to local or regional economic development agencies to assess underused labor force skill sets or education.

- *Child labor law violation fines and penalties.* Article 2, section 10, subd. 1 increases the fines and penalties for violations of Minnesota's child labor laws.
- *Rights of next of kin upon death.* Article 2, sections 11 and 12 provide for next of kin to be informed of and participate in Department of Labor & Industry regarding citations and penalties issued as a result of an employer's violation of safety rules, regulations, and standards when death occurs in the workplace.
- *Employer fines and penalties.* Article 2, sections 13 and 14 provide for the Department of Labor & Industry to impose a non-negotiable fine of \$ 50,000 for willful or repeated safety violations that contribute to death and \$25,000 for non-willful or not repeated safety violations that contribute to death.
- *Post retirement study.* Article 16, section 6 appropriates \$100,000 to the Department of Employee Relations to study health care coverage for post-retirement benefits and active employee benefits.

#### **PELRA change**

Chapter 387 (H.F. 2981/S.F. 2848\*) amends the Public Employment Labor Relations Act to allow line employee emergency medical service employees' unions and 911 public safety dispatchers' unions to be affiliated with the unions of their supervisors. This authority already exists for unions of police officers, firefighters, and certain hospital employees. Effective August 1, 2000.

#### **Omnibus pensions**

Chapter 461 (H.F. 2999/S.F. 2796\*) is the omnibus pension legislation. Articles 15 and 16 of the act make changes to the volunteer relief association laws. The act increases the maximum allowable pension benefit for volunteer fire relief associations. The cap will increase \$500 per year over the next four years for lump sum plans (from \$5,500 to \$7,500) and \$4 per year for monthly benefit plans (from \$40 to \$56). The relief associations were seeking to double the caps. The increases begin to take effect December 31, 2000. A provision clarifying that local fire relief associations are subject to the open meeting law passed the pension commission but was inadvertently deleted from the bill. The issue will be reconsidered next session.

Included in the article 1 of the act are changes to the actuarial assumptions of the major statewide plans, including the Public Employees Retirement Association (PERA). These actuarial assumption changes result in a significant funding deficiency for the PERA coordinated plan. While the deficiency may require as much as 30 percent increases in employer and employee contribution rates in the near

future, the act does not make changes to the rates. The chair of the pension commission, Rep. Harry Mares, plans to convene a task force to study the issue over the interim and make recommendations to the 2001 Legislature.

The act includes some minor technical corrections in article 9 to the language last year that merged 44 local police and fire relief association consolidation accounts with the PERA police and fire plan. These provisions deal with the distribution of the amortization aids to cities with outstanding unfunded liabilities.

Article 5 of the act establishes a task force to study post-retirement and active public employees' health care. The task force is instructed to identify strategies for providing postretirement and active employee health care coverage for public employees and make recommendations regarding the most appropriate and efficient manner for providing coverage. The League of Minnesota Cities is to appoint one member of the task force. Funding for the task force is provided in article 16, section 6 of chapter 488, the supplemental appropriations bill.

#### **Court reporters organize under PELRA**

Chapter 345 (H.F. 2803\*/S.F. 3119) grants court reporters the right to organize under PELRA.

#### **Reemployment insurance**

Chapter 343 (H.F. 3806/S.F. 3554\*) modifies provisions regulating nonprofit organizations reemployment insurance coverage, allowing the commissioner of economic security to establish a reimbursable account for nonprofit organizations and regulating the size of the re-employment fund and excess funds.

#### **MICA insurance trust**

Chapter 273, (H.F. 2927\*/S.F. 2685) authorizes the creation of the Metropolitan Intercounty Association (MICA) self-insurance program for employees group health insurance plan.

#### **PERA contributions**

Chapter 294 (H.F. 3196\*/S.F. 2978) starting July 1, 2000 a Goodhue nursing facility licensed for 104 beds shall have its employee pension benefit costs reported on its Rule 50 cost report treated as PERA contributions for purposes of computing medical assistance payment rates

#### **Workers' compensation**

Chapter 447 (H.F. 3960/S.F. 3644\*) provides for a transfer of \$325 million from the assigned risk plan surplus to pay for the state's ongoing liabilities from two workers' compensation benefit programs that were repealed in 1995. This action is expected to reduce the Workers' Compensation Fund assessment rate for employers from 30 percent to 20 percent. The bill will also benefit injured workers by

increasing permanent partial disability benefits for the first time in over 15 years.

### **Rochester firefighter probation period**

Chapter 356 (H.F. 3795/S.F. 3478\*) authorizes the city of Rochester to maintain a probationary period of up to six months for newly hired firefighters. After the probationary period, a firefighter may only be removed or discharged for cause upon written charges. A hearing on the removal must be granted if one is requested.



## **Public Safety & Crime**

### **Firefighter training board established**

Chapter 344 (H.F. 465/S.F. 624\*) establishes a firefighter training and education board. The board will not have authority to mandate training or certify firefighters. It will instead certify instructors and suggest curriculum in an effort to improve the quality and uniformity of training across the state for those departments that choose to use board-certified instructors. The act does not include an appropriation, so the board must rely on non-state funding to operate. The board membership will include two city representatives.

### **Predatory offender changes and integrating crime data**

Chapter 311 (H.F. 2688\*/S.F. 2769) contains two major public safety initiatives. The act includes changes to the predatory offender laws and the development of a state-wide criminal justice information system.

The act contains increased registration requirements for predatory offenders and penalties for failure to maintain current registration data. The act contains a \$5 million appropriation for enhanced probation and supervision of the registered offenders.

The act also contains a \$12 million appropriation for criminal justice technology infrastructure improvements including electronic fingerprint capture technology, electronic photographic imaging technology, bandwidth to transfer electronic data between local agencies and the state database, integration of court and criminal justice databases, and other purposes. These appropriations are considered by most legislators to be an early step in developing an integrated data system that will eventually require the participation of all state and local law enforcement agencies and the courts.

### **Public safety bonding provisions**

The omnibus bonding bill, chapter 492 (H.F. 4078\*/S.F. 3811), includes \$3 million for two public safety training facilities grants. One facility is to be located in Greater Minnesota and one in the metro area. The governor has

expressed concern that these facilities not compete with the facility at Camp Ripley.

### **Domestic violence and sexual assault prevention**

Chapter 368 (H.F. 3331\*/S.F. 2980) establishes a director of domestic violence and sexual assault prevention in the state's center for crime victim services. The director will serve as chair of an interagency task force, to which the League of Minnesota Cities appoints a city attorney knowledgeable in these issues. The task force will report annually to the Legislature and governor on how to change policies and laws to reduce domestic violence and sexual assault, and to better coordinate existing federal, state, and local resources. Effective July 1, 2000.

### **Juvenile prostitution**

Chapter 431 (H.F. 2830\*/S.F. 2771) enhances the penalties for pimps of juvenile prostitutes by increasing the age of individuals considered juvenile prostitutes from 16 to 18 years of age. The act also requires a study by the commissioner of public safety and the executive director of the POST Board on training peace officers to combat juvenile prostitution. The penalty provision is effective August 1, 2000, and applies to crimes committed on or after that date.

### **Omnibus crime prevention and judiciary**

Chapter 488 (H.F. 2699\*/S.F. 3798), the omnibus supplemental appropriations bill, contains several crime prevention and judiciary provisions. Article 4 of the act appropriates the following:

- \$150,000 for juvenile prostitution law enforcement and officer training grants.
- \$1,200,000 for per diem payments for battered women shelter facilities.
- \$40,000 for a study of domestic violence shelters.
- \$200,000 for a crosswalk safety awareness program.

Articles 5 and 6 of the act make the following policy changes:

- Increases the maximum fine for misdemeanors from \$700 to \$1,000 and for petty misdemeanors from \$200 to \$300 (effective for violations committed on or after August 1, 2000).
- Establishes the criteria for juvenile prostitution law enforcement and officer training grants.
- Transfers authority of the automobile theft prevention program to the Department of Public Safety and provides criteria for auto theft prevention grants.
- Clarifies the law establishing pedestrian right-of-way in crosswalks and adds limited authority for cities to establish local pedestrian safety crossings on highways.
- Establishes a study of issues relating to providing shelter for victims of domestic violence.

### **Gambling fraud**

Chapter 218 (H.F. 624/S.F. 441\*) creates the crime of gambling fraud for knowingly claiming a prize using altered equipment, wrongfully claiming a prize, manipulating gambling equipment, or using false information on a prize receipt. A person found guilty of this new crime may be fined up to \$6,000 and sentenced to imprisonment for up to three years depending on the dollar amount involved in the underlying offense. Effective August 1, 2000, and applicable to crimes committed on or after that date.

### **Felony DWI working group**

Chapter 478 (H.F. 2995/S.F. 2677\*) establishes a working group whose membership includes legislators and representatives from state agencies, courts, county and city attorneys, county commissioners, public defenders, sheriffs, community corrections agencies, probation officers, and treatment programs. The working group will study and make recommendations to the Legislature by September 1, 2000 on the implementation of a felony-level impaired driving penalty.



## **Telecommunications, Utilities & Rights-of-way**

### **Telecommunications access cost reimbursement**

Chapter 489 (H.F. 3800\*/ S.F.3559) requires the commissioner of children, families & learning to work with the commissioner of administration and the Minnesota Educational Telecommunications Council to recommend to the Legislature a permanent method to fund telecommunications access as part of the general education revenue formula by February 1, 2002 (Article 5, Section 23).

Article 5, Section 8 requires school districts to submit telecommunications access costs associated with data lines and video links, including installation charges, to the Department of Children, Families & Learning for reimbursement of telecommunications access costs based on cost per pupil for the district. Other provisions in that section limit costs submitted by school districts to one data line or video link that operates at a minimum speed of 1.544 megabytes per second for each elementary, middle, or high school in the district (excluding hardware or equipment).

School districts that have filed for federal e-rate telecommunications discounted rates are also eligible for reimbursement after deducting any e-rate discounts they obtain. Charter schools are also eligible for telecommunications access revenues. Costs associated with cooperative agreements with other institutions are also eligible for reimbursement. The provisions in Article 5, Section 8 expire on July 1, 2002.

Article 8, Section 2 increases regional library telecommunications aid by \$2.4 million and allows the funds to be

used for video lines. Article 6, Sections 25 and 26 require public schools and libraries that house computer sites with access to the Internet to restrict all student or children's access to obscene material, child pornography or other materials harmful to minors.

Public libraries are required to prohibit adult access to such sites on public access terminals. Provisions allow libraries to remove persons if they intentionally by-pass methods the library uses to implement these restrictions. Post-secondary institution libraries are exempt from these requirements. These provisions are effective August 1.

### **Rural Internet access and e-business**

Chapter 488 (H.F.2699\*/ S.F.3798), the omnibus state departments appropriations bill, Article 1, Sections 2 and 3 provide \$1 million to encourage high speed Internet access in rural areas and \$200,000 for the E-Business Institute operated by Minnesota Technology, Inc. Catalyst grants to local and tribal governments are to be made to areas where it is otherwise unlikely that existing technology can expand Internet access.

Grants are for capital costs related to providing fiber optic wireline or wireless technology to facilitate Internet access for residences and businesses. Planning, engineering or preliminary design costs are not eligible costs for the competitive grant program to be administered by the Department of Trade & Economic Development. Business Internet access service must be provided at a minimum speed of 512 kilobytes per second. The maximum grant for any project is set at \$25,000 or 25 percent of the eligible costs, whichever is less.

Article 1, Section 2 also provides \$750,000 for development and use of labor force assessments to allow agencies to recognize areas in which skill sets or education of the available workforce are underused.

Article 2, Section 7 authorizes the Job Skills Partnership Board to make grants for distance-work programs to promote projects involving technology in rural areas. A consortium of organizations can be eligible for projects involving rural technology.

Grants may be used to identify and train workers in technology and to provide connections to telecommunications infrastructure in order for such employees to be self-employed or employed from home or satellite offices. A business match can include additional management or technology staff costs, start-up equipment costs (including telecom infrastructure, software or computer upgrades, and joint financial contributions of two or more businesses including cash or in-kind contributions).

Provisions in this chapter are effective August 1.

### **Grant information on the Internet**

Chapter 332 (H.F. 4076/S.F.2653\*) requires state agencies with Internet sites to provide information on grants and

provide links to grant applications. The commissioner of administration is required to develop a system through which, when feasible, grant applicants can electronically submit applications to state agencies, effective August 1.

### **Uniform Electronic Transactions Act**

Chapter 371 (H.F. 3109\*/S.F. 3699) enacts policy adopted by the National Conference of Commissioners on Uniform State Laws and applies to cities and other political subdivisions as well as other government agencies. The act defines electronic records, electronic signatures, and other related terms.

The act governs use, legal recognition, presentation, attribution and effect, effect of changes or errors, notarization, retention, admissibility in evidence, automated transactions, sending, and receipt and transfer of electronic records.

Each city or political subdivision is required to determine whether and the extent to which it intends to create, retain, and convert from written to electronic records and signatures as well as rely upon such records and signatures. Cities must also determine whether and to what extent they will send and accept such records and signatures and consider security in the manner and format in which those records and signatures are handled. Except when a record is retained as an electronic record to comply with a law requiring retention of such a record for evidentiary, audit or similar purposes, this chapter does not require cities to use or permit use of electronic records or signatures.

In adopting standards governing acceptance and distribution or electronic records, provisions authorize the state (and other units of government) to encourage and promote consistency and interoperability with requirements adopted by other state and local units of government, as well as by non-governmental organizations that interact with government.

The act does not apply to:

- Electronic records and signatures relating to transactions generally governed by the uniform commercial code.
- Requirements related to creation of health care directives or for recording any conveyance, power of attorney or any other real estate transactions.
- Requirements for creating a declaration regarding certain mental health treatment.
- The creation or execution of wills, codicils or trusts other than those related to business, commercial or government purposes.

Provisions of this chapter apply to electronic records or signature created, generated, sent, communicated, received, or stored on or after August 1, 2000.



## **Transportation & Transit**

### **Omnibus transportation**

Chapter 479 (H.F. 2891\*/S.F. 3793), the omnibus transportation finance bill, appropriates more than \$495 million from the state's general fund and the trunk highway fund for transportation and transit purposes and appropriates \$100 million from the bond proceeds account in the trunk highway fund for additional capital projects. The bill does not affect last year's funding and authorization for light rail transit. The bill is arguably one of the largest and most comprehensive transportation funding bills passed by the Legislature in the past several years. The package includes funding for major transportation projects over the next three years.

Chapter 479 appropriates \$405 million in one-time resources from the state's projected \$1.8 billion surplus to jump start several major projects that have been languishing due to lack of funding. Under the act, this one-time money will be used to increase the Minnesota Department of Transportation's (MnDOT) construction budget by about 30 percent a year. The \$405 million one-time infusion will be divided equally between greater Minnesota for major upgrades on highways and the metropolitan area for fixing bottlenecks. The bill also contains \$100 million in state borrowing for transportation and transit purposes.

The law allocates available trunk highway fund and general fund resources as follows:

- \$177 million to eliminate bottlenecks on Twin Cities area freeways.
- \$177 million to improve highway corridors connecting Greater Minnesota regional centers.
- \$39 million to repair and replace local bridges.
- \$23.8 million for the County State Aid Highway fund.
- \$6.2 million for the municipal state aid fund.

In addition, the law authorized the issuance of \$100 million in highway bonds, the proceeds of which would be used by MnDOT to finance other road and bridge projects.

Metropolitan Transit Operations will receive an additional \$20 million, which includes \$10 million for a bus garage, \$6.3 million for transitways, and \$3.7 million for operating expenses.

Greater Minnesota Transit will receive an additional \$872,000 in grants for buses and intelligent transportation systems technologies and for operating assistance.

Other features of the law:

- \$15 million for the highway account in the transportation revolving loan fund.
- \$25.7 million for MnDOT Buildings in St. Cloud, Detroit Lakes, and Moorhead, and a regional traffic management center in Roseville.
- \$5 million for rail service improvements.
- \$100,000 for DM&E railroad mitigation planning.

- \$2 million for port development assistance grants to local units of government.
- \$100,000 for Northstar commuter rail corridor feasibility planning.

### **Miscellaneous provisions**

Chapter 479 establishes the Major Projects Commission to identify and make recommendations for future projects that have a total cost of more than \$5 million and that meet certain other criteria. The commission will be comprised of the governor, four citizen members, seven senators, and seven representatives.

The law authorizes several transportation and transit-related studies including ramp meter impact on safety and traffic flow, the future Metro Mobility and possible alternatives, and a statewide public safety radio system feasibility study.

The law also clarifies that payments by MnDOT of sales tax on purchases for trunk highway construction are not a highway purpose and therefore are considered unconstitutional. The law also appropriates \$4.8 million from the state's general fund to the trunk highway fund for the cost of the sales tax on purchases. The application of this provision to similar local government purchases is unclear.

The law exempts motor vehicle dealers who exclusively sell firefighting equipment to local units of government from the motor vehicle dealer licensing requirements.

Finally, Chapter 479 does not contain the additional \$44 million for mass transit requested by the governor. This funding was included in Chapter 492, the omnibus bonding bill.

### **Tab fee reduction**

The governor's request for tab cuts was approved as part of the three-way budget arrangement between the governor, Senate, and House, and was included in Chapter 490 (see page 12)—the omnibus tax bill. Chapter 490 also contains a replacement mechanism to offset the revenue reduction in revenues to the highway user tax distribution fund (HUTDF).

For the first two years, Chapter 490 directly appropriates \$149.8 million and \$161.7 million from the state's general fund to the HUTDF. Beginning in the third year, the law statutorily dedicates 32 percent of the revenues received from the sales tax on motor vehicle sales to the HUTDF. The 32 percent dedication is currently estimated to allocate approximately \$174 million to the HUTDF.

Unfortunately, the final transportation package did not contain language providing for a constitutional amendment for the dedication of the motor vehicle sales tax. The statutory dedication could be susceptible to future legislative changes. In addition, due to the fact that the sales tax

on motor vehicles is currently estimated to grow more slowly than current law tab fee revenues, the HUTDF could ultimately have fewer resources under the new law.

### **Metropolitan transit corridor**

The omnibus bonding bill, chapter 492 (H.F. 4078\*/S.F. 3811), includes \$44 million for the Metropolitan Council for the construction of an exclusive bus transitway. The bill prohibits the use of the funds for light rail transit. This appropriation is part of the governor's \$175 million portion of the budget surplus.

### **Metro transit opt-out**

Chapter 493 (H.F. 4090/S.F. 3730\*), the public finance bill, contains language authorizing the cities of Minnetonka and Shorewood to opt out of the metropolitan transit service.

### **Cartway entry**

Chapter 334 (H.F. 2936/S.F. 2511\*) authorizes township officials entry authority to private property for purposes of road examination and surveying. The law also provides for the recovery of costs for establishing cartways.

### **Richard J. Mathiowetz memorial highway**

Chapter 288 (H.F. 3142\*/S.F. 2844) designates a portion of Trunk Highway 4 from Sleepy Eye to its intersection with Trunk Highway 60 in St. James as the Richard J. Mathiowetz Memorial Highway.

### **Snowmobile traction devices**

Chapter 324 (H.F. 3555/S.F. 3282\*) establishes requirements for the civil enforcement of snowmobile metal traction devices and sticker identification.

### **Seasonal weight restrictions**

Chapter 433 (H.F. 3274/S.F. 2785\*) provides for exceptions to seasonal road weight restrictions. The law exempts from road weight restrictions certain recycling haulers and publicly-owned utility vehicles if there is an imminent or actual emergency. The House amended the bill to add milk haulers and raw sewage haulers to the exemption list. In the final version of the bill, milk haulers and raw sewage haulers were removed, but recycling haulers were included.

The signed bill provides an exemption for publicly-owned utility vehicles that do not exceed 20,000 per axle, 36,000 pounds gross vehicle weight for a two-axle vehicle or 48,000 pounds gross vehicle weight for a three-axle vehicle. The exemption only applies when the vehicle is used for service restoration or prevention of imminent loss of service. The exemption for recycling vehicles applies only to vehicles that do not exceed 20,000 pounds per single axle and is used exclusively for recycling while

engaged in recycling in a political subdivision that mandates curbside recycling. The exemptions are effective the day after enactment and will sunset June 1, 2003.

## **Vetoed**

### **Forfeited vehicles**

Chapter 383 (H.F. 262/S.F. 76\*) would have eliminated the requirement to hold DWI-related vehicle forfeiture proceedings at the same time as implied consent hearings. The bill also would have authorized secured parties to sell forfeited vehicles under certain circumstances. In his veto message, Gov. Ventura objects to the bill's removal of the requirement that lienholders reimburse law enforcement agencies for their costs before satisfying their lien. Further, the governor states that removing the incentive for the lien holder to get the maximum value for the forfeited vehicle would result in increased costs to taxpayers.

### **Salary caps**

Chapter 448 (H.F. 3629/S.F. 2385\*) would have raised the issue of salary caps on public employees by seeking to eliminate the salary caps on certain municipal hospital employees.

### **Left lane driving**

Chapter 425 (S.F. 2484\*) would have required motor vehicles to drive in the right hand lane and would have reserved the left hand lane for passing traffic.

## **Line-item vetoes**

- \$30,000 for grants to law enforcement to purchase drug-detecting dogs.
- \$750,000 for MN Valley Tourism.

## **Did not become law**

*Phase three of property tax "reform."* The House proposed significant changes to the property tax classification system. These changes would have created a 1-2-3 tax classification system. Most of the benefit of class rate changes would have been provided to business and apartment properties. The impact of shifts would have been mitigated by an expansion of the education homestead credit.

*Reverse referendum.* The House tax bill would have created a reverse referendum process whereby taxpayers could challenge city tax increases.

*Internet publication alternative.* The Senate tax bill would have allowed local units of government to use the Internet as an alternative to the traditional truth-in-taxation hearing process, if the proposed levy increase was less than one percent.

*Truth-in-taxation exemptions.* Local units of government with more than 2,500 residents that would have frozen their property tax levies would have been allowed to skip the truth-in-taxation hearing, under a provision in the House tax bill. The Senate would have allowed the hearing opt-out if the levy increase was less than one percent.

*Local Government Aid increase for small cities.* The Senate tax bill would have increased Local Government Aid for certain small cities by \$6.7 million.

*Transit levy/state aid tradeoff.* Under a House provision, transit property taxes in the metro area would have been eliminated. To fund the elimination, Homestead and Agricultural Credit Aid paid to cities would have been diverted to fund these transit operations. An additional \$17 million of state assistance would have been needed to completely fund the transfer.

*Bleacher safety sales tax exemption*—would have created a sales tax exemption for bleacher safety-related purchases.

*PERA coordinated plan contribution increases.* The Public Employees Retirement Association coordinated plan has a significant, long-term funding deficiency that will require as much as 30 percent increases in local government employer and employee contributions. The Legislature plans to study the issue over the interim for action in the 2001 legislative session. Changes to the membership eligibility threshold of PERA were also discussed but were not enacted.

*Massage therapists state registration*—would have provided for registration at the state level for massage therapists.

*Employment reference information disclosure authorization*—would have authorized employers to disclose certain information about employees to prospective employers.

*Design-build prohibition*—would have prohibited state agencies and municipalities from using the design-build method of project development and construction.

*Age certificates*—would have allowed for the federal I-9 immigration and naturalization form to serve as an option for proof of age for employees who are minors.

*Gravel management*—would have regulated future gravel resources and provided incentives and requirements for the inclusion of gravel resources in local government comprehensive plans.

*Plat recodification proposal*—would re-write the entire platting statute, Minnesota Statutes, Chapter 505.

*Eminent domain/private property rights*—would significantly modify Minnesota's eminent domain laws and place an ever-increasing financial burden on local governments for exercising fundamental planning and zoning authority, while undermining local authority to make local land use decisions.

*Private service contracts*—would place significant regulations on contracts entered into by public entities with the private sector for the provision of services.

*Charter commission membership*—would change the membership eligibility criteria for charter commission members to exclude city council members.

*Local government official salary cap*—would increase the state-imposed cap on the salaries of local officials.

*Plumber licensing*—would have required all plumbers to be licensed in all cities regardless of population.

*Sales tax dedication*—a constitutional amendment that would have dedicated a portion of the sales tax to environment and natural resource purposes.

*Data practices*—would have established up to a \$10,000 penalty for failure to comply with certain aspects of the state's data practices law.

*Telecommunications regulation restructuring*—would have modified the regulation of telecommunications and cable service providers in Minnesota.

*Advocacy restriction*—would have prohibited local units of government from using public moneys to advocate for the passage of ballot initiatives.

*Probationary period for firefighters.*

*Watershed management organization membership restriction repeal*—would have repealed the restriction on WMO membership enacted last year.

*Billboard subject to property tax*—would have established billboards as real property that would be subject to the property tax.

*Metropolitan fiscal disparities program repeal*—would have repealed the metropolitan fiscal disparities program.

*Metropolitan fiscal disparities program expanded*—would have expanded the metropolitan fiscal disparities program to the counties of Sherburne, Chisago, Isanti, and Wright.

*Sales tax on motor vehicles dedicated*—would have constitutionally dedicated a portion of the sales tax on motor vehicles to the highway user tax distribution fund.

*Limited market value changes*—would have tightened the permissible annual increases in the market value of certain property types.

*Met Council abolished*—would have abolished the Metropolitan Council.

*Met Council a state agency*—would have converted the metropolitan council into a state agency.

*Recall of state and local officials*—a constitutional amendment that would have created a process for recall of local officials and a process to fill any resulting vacancies.

# 2001 City Aid Estimates

The following printout provides estimates for the 2001 LGA and HACA distribution for all cities. These are only estimates. The final numbers certified by the Department of Revenue in July and August may be somewhat different due to updated formula factors. Please note that there are two sets of columns on each page.

The LGA column shows the initial formula amounts after reductions for state costs for the State Auditor's office and other state agencies (state reductions typically total about \$500,000 statewide. The LGA amounts do not reflect any reductions in LGA due to tax increment financing penalties.

The 2001 LGA estimates reflect a \$14 million or 3.58 percent increase in the total LGA appropriation. The inflation adjustment is based upon the implicit price deflator for government goods and services. The automatic adjustment has added \$80 million to the LGA distribution to cities since 1993.

The HACA distribution to cities remained largely unchanged this year and totaled \$200.6 million. HACA is intended to replace lost tax base due to property tax class rate reductions and to make up for declining revenue in the metropolitan fiscal disparities program from commercial/industrial class rate reductions.

Please remember that these are estimates only, and should only be used from planning purposes. The final certified aid amounts will also reflect annexations, consolidations, updated fiscal and demographic data, as well as final interpretations by the Department of Revenue.

The League would like to thank House Research Staff members Pat Dalton and Steve Hinze for supplying the 2001 aid estimates. For more information contact Eric Willette at the League of Minnesota Cities, (800) 925-1122 or (651) 281-1200.





## City Council Memorandum

|                       |   |
|-----------------------|---|
| To:                   | Mayor and City Council                          |
| From:                 | Rick Getschow                                   |
| Council Meeting Date: | July 11, 2000                                   |
| Agenda Item:          | Lauderdale Resident's Guide and Phone Directory |

### **BACKGROUND:**

I would like to make a brief report at the meeting updating the Council on the printing and dissemination of the 2000-2001 Lauderdale Resident's Guide and Phone Directory.

Drafts of the guide were provided at the June 27<sup>th</sup> Council meeting for preliminary review. Your continued comments are appreciated. The Guide continues to be updated and is planned for distribution in mid-to-late July.







## City Council Memorandum

|                       |                                   |
|-----------------------|-----------------------------------|
| To:                   | Mayor and City Council            |
| From:                 | Rick Getschow                     |
| Council Meeting Date: | July 11, 2000                     |
| Agenda Item:          | Children's Home Society Expansion |

### BACKGROUND:

It has been stated in recent Friday reports that the Children's Home Society, 1605 Eustis Street, has retained consultants and architects to explore possible expansion and growth of the administrative offices at the Lauderdale site, along with the construction of a day care facility. On separate occasions I have met with the President/CEO, the consulting firm and Board members representing the Children's Home Society to discuss the general expansion plans that are being considered in the City of Lauderdale. The meetings have touched on finances, zoning issues, and building code issues.

Even though there are more meetings planned to discuss these issues, I would like to update the Council at the meeting on all of these developments











