

*Proctor's Vision:
Proctor, rich with railroad heritage, values above all, its people, and their environment. Working together
is our pathway to a safe, secure, and progressive community.
Slogan: "You Have a Place In Proctor"*

AGENDA
PROCTOR CITY COUNCIL MEETING
Monday, April 1st, 2024
Council Chambers - Community Activity Center - 100 Pionk Drive

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

OTHERS PRESENT

APPROVAL OF MINUTES City Council Meeting minutes from Monday, March 18th, 2024

APPROVAL OF AGENDA

COMMENTS AND SUGGESTIONS FROM CITIZENS PRESENT:

***APPROVAL OF CONSENT AGENDA** One motion accepts all items listed under this agenda, plus Council can pull any individual items out of this consent agenda and discuss/act on items separately leaving others to be approved via consent agenda action.

***1. COMMUNICATIONS**

A. Skyline Parkway – Bridge Repair Project

B. Payroll Report – March 15th, 2024

***2. PLANNING & ZONING DEPARTMENT MATTER**

***3. COMMITTEE REPORTS**

4. CLERK ADVISES COUNCIL

A. LG 510 – 2023 Report

B. LBAE – April 30th, 2024, 10:00 – 11:00 am

5. UNFINISHED BUSINESS

A. City of Proctor Blight Policy

B. Legislative Agenda – Officer Recruitment and Training Reimbursement

6. NEW BUSINESS

- A. Resolution 16-24: A RESOLUTION APPROVING MINNESOTA LAWS 2023, CHAPTER 64, ARTICLE 10, SECTION 42, ALLOWING THE CITY OF PROCTOR TO IMPOSE A LOCAL SALES TAX**
- B. Resolution 17-24: A RESOLUTION ADOPTING TITLE AND BALLOT LANGUAGE PERTAINING TO A LOCAL OPTION SALES TAX AUTHORIZED BY THE MINNESOTA LEGISLATURE, TO BE SUBMITTED TO THE QUALIFIED VOTERS OF THE CITY OF PROCTOR AT THE GENERAL ELECTION ON NOVEMBER 5 2024**
- C. Resolution 18-24: Declaring Surplus Equipment**
- D. Municipal Cannabis Dispensary**
- E. Ordinance 01-24: Amend Winter Parking – 2nd Reading**

MEMBER CONCERNS

Rohweder:

DeWall:

Johnson:

Benson:

Ward:

Chief Gaidis:

BILLS FOR APPROVAL

General: \$49,509.10

Liquor: \$29,860.24

TOTAL BILLS FOR APPROVAL: \$79,369.34

ADJOURNMENT

MINUTES OF THE PROCTOR CITY COUNCIL MEETING MARCH 18th, 2024

Meeting was streamed live on the Trac 7 YouTube channel.

Mayor Ward called the meeting to order at 6:00 pm.

Pledge of Allegiance

PRESENT: Mayor Chad Ward, Councilor Troy DeWall, Councilor Jake Benson, Councilor Jim Rohweder, Councilor Rory Johnson

Mayor Ward delivers a public statement regarding the incident that took place at Proctor Public Schools on Wednesday, March 13th, 2024.

OTHERS PRESENT: Administrator Rich, Attorney John Bray, Administrative Assistant Megan Jordan, Chief Gaidis, Jon Thornton

M/S/P: Rohweder/Johnson to approve the City Council minutes from Monday, March 4th, 2024.

M/S/P: Benson/Ward to approve the special City Council minutes from Monday, March 4th, 2024.

M/S/P: Ward/Rohweder to approve the special City Council minutes from Wednesday, March 6th, 2024.

M/S/P: Ward/Johnson to approve the agenda for Monday, March 18th, 2024.

COMMENTS AND SUGGESTIONS FROM CITIZENS PRESENT:

NONE

M/S/P: Ward/Johnson to approve the consent agenda for Monday, March 18th, 2024.

4. Clerk Advises Council

A Pickleball Courts – Proposals for Professional Services

Proposals from LHB and SEH will be evaluated by the Parks & Rec committee for a recommendation to council. Administrator Rich states council members are welcome to review these proposals prior to the meeting by request.

B. City Attorney RFP Update

The City Council has directed Administrator Rich to continue the RFP proposal process for attorney services. Rich states she has delivered a draft of the proposal, asking council to adjust and define the timeline for submittals. Mayor Ward suggests adjusting the deadline for proposals to be submitted by April 12th, adjusting it one week back from the previously suggested deadline of April 5th.

M/S/P: Ward/DeWall to change the submittal deadline for RFP proposals to Friday, April 12th, 2024, at 4:00 pm.

C. Playground for Everybody Final Phase

With the approval of the fence addition, the final phase of the DNR grant has been reached.

Fencing will be installed over the weekend, followed by parking pavement and ADA striping. After these completions, the DNR grant will be closed out.

5. UNFINISHED BUSINESS

A. City of Proctor Blight Policy

B. Legislative Agenda – Officer Recruitment and Training Reimbursement

C. St. Lukes Arena – Parking Improvements/Accommodations

6. NEW BUSINESS

A. Property Agreement Amendment

A written request was submitted by the property owner to amend the original recorded agreement. The property owner is selling the land and has requested to amend the agreement to allow for the installation of a well as an additional option for a water source.

M/S/P: Ward/Johnson to approve the amendment agreement, allowing for a well on the property noting the property owner to be responsible for attorney and recording fees.

B. Resolution 14-24: Prosecutions Services Agreement

M/S/P: Rohweder/Ward to approve as submitted, noting the agreement date expiration of December 31, 2025.

C. Resolution 15-24: Jet Loan Renewal

M/S/P: Benson/DeWall to approve as submitted.

D. SRO Resolution: St. Louis County Board

Councilor Benson states the governor has signed an SRO agreement. Benson states SRO officers will be reinstated back into schools statewide. Benson proposes passing a resolution to the St. Louis County Board for reimbursement to Proctor for the expenses of an SRO officer as Proctor pays for their own SRO officer.

M/S/P: Benson/Ward to direct city staff to draft a resolution for approval at the next City Council meeting regarding SRO officer reimbursement.

E. Proposed Language to Amend §71.08 Winter Parking Ordinance

Councilor Benson has drafted language to amend the above referenced city code, allowing Chief of Police to suspend winter parking regulations and restrictions.

Mayor Ward states if there are no additions or modifications to the language, this will constitute the first reading of this ordinance. Police Chief Gaidis is in agreement with the amendment to this section of city code.

F. November Sales Tax Campaign

Councilor Benson suggests a public campaign for the addition of a sales tax to the ballot for voters in November.

M/S/P: Benson/Johnson to direct city staff to begin a public campaign regarding the addition of a proposed sales tax increase to the ballot in November.

MEMBER CONCERNS

Rohweder: Parking improvements at St. Lukes arena – Councilor DeWall adds the Public Safety Committee has met with the superintendent of Proctor Public Schools. The city will await the plan proposal for review. Public Safety and Proctor Police Department to follow-up on officer recruitment and retention. Administrator Rich provides an update to council noting she has been working with the Police Civil Service Commission and has discussed a wage study, budgetary considerations, recruitment, and retention. Administrator Rich states the Police Civil Service Commission is working on a proposal to present to the council.

Johnson: None

Benson: LMC physical ability test program available for police departments to participate in. In response to the incident at Proctor High School, Benson acknowledges officer response, reflection

of a well-trained department, and extends gratitude for city department participation. Benson notes there may be changes reflected to the Midway first responder agreement. Acknowledging Attorney Bray's last meeting with the City Council, Councilor Benson extends gratitude to Attorney Bray for his years of service working with the City of Proctor. Councilor Benson commends Attorney Bray for his work within property boundary and annexation.

DeWall: St. Lukes Parking improvements discussed at the Public Safety Committee, notes an improvement plan will be coming from administration staff.

Attorney Bray: Extends gratitude to the council and the City of Proctor for working with him over the last 30 years.

Administrator Rich: None

Mayor Ward: Extends gratitude to Councilor DeWall for attending and speaking at the State of the City address in his absence.

Chief Gaidis: Provides an update on the de-briefing review after the incident at Proctor Public Schools last week.

Administrator Rich: None

M/S/P: Rohweder/DeWall to approve the bills as submitted.

General: \$64,017.03

Liquor: \$32,198.40

TOTAL BILLS FOR APPROVAL: \$96,215.43

M/S/P: DeWall/Ward to adjourn the meeting at 6:39 pm.

*1A



STAY
INFORMED

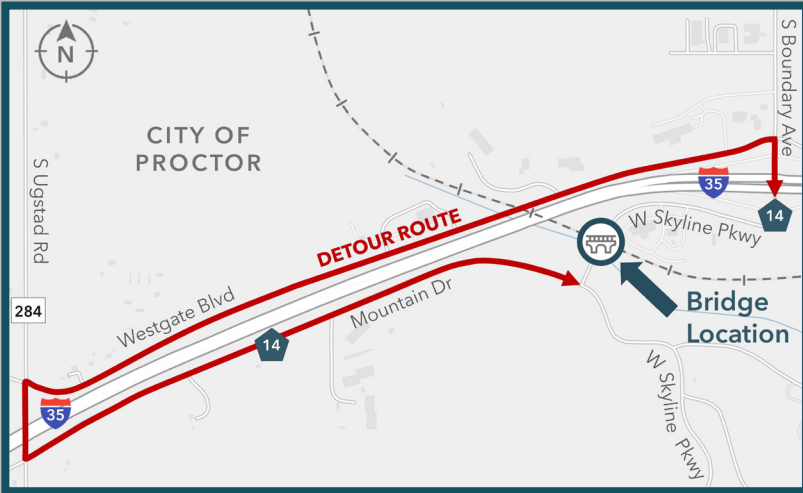
W Skyline Parkway
Bridge Reconstruction



Public Works
4787 Midway Road
Duluth, MN 55811

PRESRT STD.
U.S. POSTAGE
PAID
DULUTH, MN
PERMIT NO. 1003

PROJECT AREA/DETOUR



****ECRWSS EDDM****
POSTAL CUSTOMER

Stay Updated!

Visit the website below or scan the QR code to view more project details.
<https://engage.stlouiscountymn.gov/w-skyline-pkwy-csah-14>

Schedule

April 22, 2024
through
November 15, 2024

Traffic Impacts

CSAH 14 (W Skyline Parkway) will be closed to traffic from the intersection of CSAH 14 (Mountain Dr.) to 0.1 Miles North, follow posted detour route.

Questions? Contact

Rachel Gregg ☎️ 218-312-8174 ✉️ greggr@stlouiscountymn.gov



SCAN ME



Stay Informed!

Check out the website below to see other projects happening in your area.
<https://engage.stlouiscountymn.gov>

**City of Proctor
Payroll Summary by Department**

***1B**

Check Date Range 3/15/2024 to 3/15/2024

Department	Gross Wages	Overtime Hours	Overtime Wages	Double Overtime Hours	Double Overtime Wages
Council	2,200.00	-	-	-	-
City Admin	7,644.82	-	-	-	-
Finance	3,184.80	-	-	-	-
Police Department	21,172.73	2.00	106.38	-	-
Fire Department	-	-	-	-	-
Street Department	9,957.32	-	-	-	-
Liquor Store	5,962.70	-	-	-	-
PUC	6,591.92	1.50	60.21	-	-
Committees	-	-	-	-	-
Election Judges	797.49	-	-	-	-
Total	57,511.78	3.50	166.59	-	-

LG510 City or County Annual Report, 10% Lawful Gambling Contribution Fund

10% Lawful Gambling Contribution Fund Allowance

Minnesota Statutes, Section 349.213, Subdivision 1, Paragraph (f)(2), allows a city or county to require (by ordinance) an organization to contribute up to 10% per year of net profits to a fund that the city or county administers.

For purposes of the 10% contribution, net profits are gross profits less amounts expended for that site's allowable expenses and portion of lawful gambling taxes.

- * The 10% contribution requirement may only be applied to net profits derived from lawful gambling conducted at premises within the city or county's jurisdiction.
- * A city or county may request from an organization a copy of the site's LG100A showing that site's net profit.
- * Organizations must make 10% fund checks payable to the city or county requiring the funds, and not to any other payee.
- * A licensed organization that contributes to the 10% fund may not be a beneficiary of that fund.
- * A required contribution is different from a voluntary contribution to units of government (under lawful purpose Code A10) for government programs and projects, and cities or counties are not required to report voluntary contributions to the Board.

City or County Information

City or County Name (may not be township): _____ This report is for calendar year 20____

Address: _____ City: _____, MN Zip: _____

Financial Information, 10% Lawful Gambling Contribution Fund

- 1. Contribution rate** 1. _____ %
 - Up to 10% per year of net profits (may not exceed 10%; may not be a variable rate).
- 2. Fund balance as of December 31 of previous calendar year** 2. \$ _____
 - If none or negative, enter 0.
- 3. Interest earned, if any, on fund balance for the calendar year** 3. \$ _____
- 4. Contributions received from licensed organizations for the 10% contribution fund:**
 - Use separate line for each site in your jurisdiction; use additional sheets if necessary.
 - You may use one total for "Amount Contributed" per organization, rather than per site.
 - Checks for contributions to the 10% fund **must be written to the city or county** and deposited in a fund administered by the city or county before the city or county may make expenditures from this fund.
 - Do not include amounts received for a local gambling regulatory tax or an investigation fee, or any voluntary contributions made to a city or county by an organization (see LG555).

Name of Licensed Organization	Organization License #	Site/Premises Name	Amount Contributed

Enter total amount contributed on Line 4 4. \$ _____

- 5. Total required contributions and interest (add Lines 2, 3, and 4)** 5. \$ _____
- 6. From Page 2, enter total of expenditures the city or county made from its 10% fund** 6. \$ _____
(Note: The Line 6 amount may not exceed the amount of Line 5.)
- 7. Year-end balance on December 31** (Line 5 minus Line 6; enter 0 if negative balance) 7. \$ _____

LG510 City or County Annual Report—10% Lawful Gambling Contribution Fund

City or County Name:

Expenditures from 10% Contribution Fund - Payee/Recipient Information

6. List all expenditures made from the 10% contribution fund, using the A codes listed on Page 3 to describe the purpose of the contribution. Expenditures may only be used for the A code purposes listed on Page 3. Include a detailed description of each expenditure. Note: Contributions made from a city's or county's 10% lawful gambling contribution fund are subject to the same expenditure requirements as licensed lawful gambling organizations. Contributions may not be made to organization contributing to the 10% fund.

Code*	Payee/Recipient	Detailed Description/Purpose of Expenditure	Amount
A			
A			
A			
A			
A			
A			
A			
A			
A			
A			
A			
A			
A			
A			
A			
A			
A			
A			
6. TOTAL			\$

* Use the Codes listed on Page 3

(Enter Total on Page 1, Line 6)

City or County Name:

*** Use the codes listed below to describe expenditures from the 10% lawful gambling contribution fund.**

- A1 To a 501(c)(3) organization or a 501(c)(4) festival organization.
- A2 To relieve effects of poverty, homelessness, or disability.
- A3 Program for education, prevention, or treatment of problem gambling.
- A4 To a public or private nonprofit school.
- A5 To a scholarship fund.
- A6 For recognition of military service (open to the public) or support for active military personnel and their immediate family members in need.
- A7 Activities and facilities for youth.
- A10 Expenditures for police, fire, and other emergency or public safety-related services, equipment, and training. Not allowed: Contribution to pension or retirement fund.
- A11 To a church.
- A12 With Minnesota Pollution Control Agency (PCA) approval, citizen monitoring of surface water quality by individuals. Requires submission of data to PCA.
- A13 With DNR approval, wildlife management projects or activities that benefit the public-at-large; grooming or maintaining snowmobile or all-terrain vehicle trails, or other trails open to public use; supplies and materials for DNR-coordinated safety training and education programs.
- A14 For nutritional programs, food shelves, and congregate dining programs primarily for persons age 62 or older or disabled.
- A15 For community arts organizations, or sponsorship of community arts programs.
- A19 For humanitarian service, recognizing volunteerism or philanthropy.

City or County Acknowledgment

- ___ 1. I am the official responsible for the financial reporting of the city's or county's 10% lawful gambling contribution fund under Minn. Stat. § 349.213, subd. 1.
- ___ 2. I affirm that the contributions received were deposited into a fund administered by the city or county.
- ___ 3. I am aware of the restrictions under Minnesota law on expenditures from this fund and affirm that the expenditures meet the definition of charitable contributions as defined in Minn. Stat. § 349.12, subd. 7a, or are for police, fire, and other emergency or public safety-related services, equipment, and training, excluding pension obligations, are accounted for in a manner consistent with generally accepted accounting principles, and that the city or county does not retain control of funds once they are expended from the city's or county's account.
- ___ 4. I have reviewed this report and affirm that the revenues, expenditures, and the fund balance reflect all contributions received and expenditures from the 10% contribution fund, and is a true, correct, and complete report.

Leslie Brunfelt

Signature of City or County Official _____ Title _____ Date _____

Print Name _____ Phone Number _____ Email Address _____

By March 15 each year email, fax, or mail the LG510 to:

<p>Minnesota Gambling Control Board Attention: City Reports 1711 West County Road B, Suite 300 South Roseville, MN 55113</p>	<p>Email: gbcrcity.reports@state.mn.us Fax: 651-639-4032</p> <p>Questions? Call 651-539-1900</p>
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The information on this form and any attachments will become public information when received by the Board, and will be used to determine your compliance with Minnesota statutes and rules governing lawful gambling activities. This form will be made available in alternative format upon request.



6A

CITY COUNCIL AGENDA DATE: April 1, 2024

TO: Proctor City Council

FROM: City Administrator, Jess Rich

SUBJECT: Resolution 16-24 A RESOLUTION APPROVING MINNESOTA LAWS 2023, CHAPTER 64, ARTICLE 10, SECTION 42, ALLOWING THE CITY OF PROCTOR TO IMPOSE A LOCAL SALES TAX

OTHER:

RESOLUTION:

ORDINANCE:

REQUESTED ACTION:

Consider Resolution 16-24 A RESOLUTION APPROVING MINNESOTA LAWS 2023, CHAPTER 64, ARTICLE 10, SECTION 42, ALLOWING THE CITY OF PROCTOR TO IMPOSE A LOCAL SALES TAX

BACKGROUND

State of Minnesota Legislature passed, and the Governor signed Minnesota Laws 2023, Regular Session, Chapter 64, Article 10, Section 42, which authorizes the City of Proctor to impose a .5% sales and use tax if approved by the voters. The City Council must approve the new law before the end of the legislative session which is May 20, 2024. If approved, the resolution and attached certificate will need to be filed with the Secretary of State 90 days (August 7, 2024) before the November 5, 2024 general election. The City of Proctor will also need to decide on the ballot question language 90 days before the election. However, I recommend this decision be made sooner so we get the information out to the voters.

The state put a moratorium on any new local sales tax in 2024 and 2025 and put together a task force to study and make recommended changes to the local sales tax laws. The task force final report includes a recommendation that would allow a local sales tax to be created for several types of local projects **WITHOUT** legislative approval. Final report attached. These ‘exempt’ projects include sports facilities, community centers and trails to name a few, all of which have been discussed in Proctor. However, the task force recommendations also included stating a limit of 1% per community. There has been no decision made at the state level yet.

Option 1: Approve the .5% for the new trail.

Option 2: Wait to see how the legislature processes the task force recommendations. If they accept the voter approval exceptions, Proctor won't have to add the questions to the ballot. However, the legislature could approve the 1% maximum and Proctor would not be allowed to add the .5% regardless of the project exemption.

SOURCE OF FUNDS: NA

ATTACHMENT(S)

Resolution 16-24

Certificate of Approval of Special Law

Resolution 04-22

Local Taxes Advisory Task Force Report to the Legislature

Chad Ward
Mayor

City of Proctor

COUNCILORS
Jake P. Benson
Troy R. DeWall
Rory Johnson
James Rohweder

Jess Rich
City Administrator

You Have A Place in Proctor

100 Pionk Drive · Proctor, Minnesota 55810-1700 · 218-324-3641 · Fax 218-624-9459 · email: cityhall@proctormn.gov

RESOLUTION NO. 16-24
A RESOLUTION APPROVING MINNESOTA LAWS 2023, CHAPTER 64, ARTICLE 10,
SECTION 42, ALLOWING THE CITY OF PROCTOR TO
IMPOSE A LOCAL SALES TAX

WHEREAS the State of Minnesota (the “State”) Legislature passed and the Governor of the State signed Minnesota Laws 2023, Regular Session, Chapter 64, Article 10, Section 42 (the “Law”), which authorizes the City of Proctor, Minnesota (the “City”) to impose a sales and use tax if approved by the voters at an election as requested under Minnesota Statutes, Section 297A.99, subdivision 3; and

WHEREAS the Law is effective upon approval by a majority vote of the City Council of the City (the “City Council”) and the filing of a certificate with the Secretary of State, all in accordance with Minnesota Statutes, Section 645.021, subdivisions 2 and 3; and

WHEREAS the City Council has determined that it is in the best interest of the City and its residents to approve the Law.

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Proctor, Minnesota that:

1. The Law is hereby approved in all respects.
2. The City Clerk is authorized and directed to file with the Secretary of State a certified copy of this resolution and the appropriate certificate in the form prescribed by the State Attorney General.
3. City staff are authorized and directed to take all actions necessary to implement the Law and bring to the City Council further proceedings as necessary in order to implement the Law.

Adopted by the City Council of the Proctor City Council this 1st day of April, 2024.

BY: _____
Chad Ward
Mayor

ATTEST _____
Jess Rich
City Administrator

**CERTIFICATE OF APPROVAL OF SPECIAL LAW
BY GOVERNING BODY**

(Pursuant to Minnesota Statutes, 645.02 and 645.021)

STATE OF MINNESOTA

County of St. Louis

TO THE SECRETARY OF STATE OF MINNESOTA:

PLEASE TAKE NOTICE that the undersigned chief clerical officer of the City of Proctor, Minnesota DOES HEREBY CERTIFY, that in compliance with the provisions of Laws, 2023, Chapter 64, Article 10, Section 42 requiring approval by a majority of the governing body of said local governmental unit before it becomes effective, the City Council of the City of Proctor, Minnesota at a meeting duly held on the 15th day of April 2024, by resolution did approve said Laws, 2023, Chapter 64, Article 10, Section 42 by a majority vote of all of the members thereof (Ayes_____; Noes_____; Absent or not voting _____). No additional steps were required by statute.

A copy of the resolution is hereto annexed and made a part of this certificate by reference.

Signed: _____

Jessica Rich
City Clerk

INSTRUCTIONS

- Include the chapter number in the *Laws of Minnesota* that is to be approved on the Certificate of Approval form **and** in the resolution that approves the special law.
- Return the completed **originally signed** Certificate of Approval form **with a photo copy** of the resolution that approved the special law to:

Official Documents
Secretary of State
180 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd
St Paul, MN 55155-1299

- If you have any questions please contact the official documents team at official.documents@state.mn.us or call **651-556-0643**.

Chad Ward
Mayor

City of Proctor

COUNCILORS
Jake P. Benson
Troy R. DeWall
Rory Johnson
James Rohweder

Jess Rich
City Administrator

You Have A Place in Proctor

100 Pionk Drive · Proctor, Minnesota 55810-1700 · 218-324-3641 · Fax 218-624-9459 · email: cityhall@proctormn.gov

RESOLUTION 04-22 IMPOSE A LOCAL SALES TAX
TO FUND SPECIFIC CAPITAL IMPROVEMENTS PROVIDING REGIONAL BENEFIT, TO ESTABLISH THE
DURATION OF THE TAX AND THE REVENUE TO BE RAISED BY THE TAX, AND TO AUTHORIZE THE CITY
TO ISSUE BONDS SUPPORTED BY THE SALES TAX REVENUE.

WHEREAS, the city has engaged community residents and businesses and identified:

A Community Initiative: This initiative would create the missing link to The Proctor – Hermantown Munger Trail Spur which will be a 10-foot-wide paved regional trail that accommodates multiple non-motorized uses. The trail will connect Proctor to the Hermantown Munger Trail Spur at its border and Proctor's Southern Border near the Munger Trail.

The estimated cost to construct the trail spur \$15 million. The estimated cost with interest over 20 years for Proctor's portion of \$6 million at 4% - would have a semi-annual payment of \$183,000 with interest over 20 years to be about \$7,260,820.

The estimated annual revenue based on one-half percent sales tax is \$192,500 (2019 actual.)

WHEREAS, the project(s) will result in benefits to both the residents and businesses of the City of Proctor and to non-resident visitors and businesses; and,

WHEREAS, funding the project(s) with a local sales tax will more closely distribute the cost of the project(s) to the users of the facilities; and,

WHEREAS, the city estimates that a local sales tax of one-half percent (0.5%) would generate an estimated \$3,850,000 over 20 years; and,

WHEREAS, the city has provided documentation of the regional significance of the project, including the share of the economic benefit to or use of each project by persons residing, or businesses located, outside of the jurisdiction; and,

WHEREAS, Minn. Stat. § 297A.99 authorizes the imposition of a general sales tax if permitted by special law of the Minnesota Legislature; and,

WHEREAS, Minn. Stat. § 297A.99 requires the City to pass a resolution authorizing such a local tax and to obtain Legislative approval prior to approval by the local voters to enact the local tax.

THEREFORE, BE IT RESOLVED the following:

1. The city council supports the authority to impose a general local sales tax of one-half (0.5) percent for a period of 20 years to fund the aforementioned project(s).
2. Upon approval of this resolution, the city will submit the adopted resolution and documentation of regional significance to the chairs and ranking minority members of the House and Senate Taxes committees for approval and passage of a special law authorizing the tax, by January 31 of the year that it is seeking the special law.

3. Upon Legislative approval and passage of the special law authorizing the tax, the city will adopt a resolution accepting the new law, which will be filed with a local approval certificate to the Office of the Secretary of State before the following Legislative session.
4. The city will put a detailed ballot question(s), which includes separate questions for each project, on a general election ballot for local voter approval. This will be done within two years of receiving legislative authority.
5. If one or more ballot questions pass, the city will also pass an ordinance imposing the tax and notify the Commissioner of Revenue at least 90 days before the first day of the calendar quarter that the tax will be imposed.
6. Upon completion of the aforementioned requirements, the local sales tax will commence and run for twenty year or until a sum sufficient to fund the voter approved project(s), including related debt costs, is raised, whichever comes first.

Councilor Benson introduced the foregoing resolution and moved its adoption.

The motion for the adoption of such resolution was seconded by Mayor Ward and, upon a vote being taken thereon, the following voted in favor thereof: ALL

and the following voted in opposition thereto: NONE

WHEREUPON, such resolution has been duly passed and adopted this 18th day of January 2022.

Attest:



Chad Ward
Mayor



Jess Rich
City Administrator

CITY OF PROCTOR
CORPORATE SEAL

1894



Local Taxes Advisory Task Force

Report to the Legislature

02/02/2024

Minnesota Department of Revenue
Commissioner's Office
600 Robert Street North
St. Paul, MN 55101
(651) 556-3000
revenue@state.mn.us
revenue.state.mn.us

As requested by Minnesota Statute 3.197: This report cost approximately \$289,016.07 to prepare, including staff time, printing, and mailing expenses.

Upon request, this material will be made available in an alternative format such as large print, Braille, or audio recording. Printed on recycled paper.

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February 2, 2024

Dear Committee Chairs:

Thank you for the opportunity to chair the Local Taxes Advisory Task Force. It was my privilege to work with such excellent task force members and Minnesota Department of Revenue staff to explore how cities and counties use local taxes to fund projects and provide important recommendations to improve the process.

Over the course of 15 public meetings, three testimony opportunities, and a public comment period, the task force engaged in thoughtful dialogue and debate. We developed a set of recommendations that:

- Centers on local voter control
- Acknowledges the vital role of, and the burdens, on small businesses
- Provides a greater level of flexibility for cities and counties
- Streamlines the process of approval for legislators

Three crucial areas in this report require further attention: equalization, taxpayer burden, and general elections.

Equalization: Some communities cannot diversify their revenue through local sales taxes due to a lack of retail space, visitors, and other factors. This could increase disparity among cities and counties in the ability to provide important services to residents. After a lot of valuable dialogue, the task force identified several potential recommendations for legislators to consider further.

Taxpayer burden: Since sales taxes are regressive, the task force recommends legislators pay special attention to the burden and inequity sales taxes can cause for some income groups compared to others.

General elections: Local voter control through a referendum is vital for final approval of a local general sales tax. A specific definition of “general election” will clarify expectations for cities, counties, and voters on when to hold referendums. Ballot language should also be uniform to ensure voters have clear and consistent information. To promote higher voter turnout and greater participation, the task force recommends referendums occur on the traditional fall Election Day—the first Tuesday after the first Monday of November. While not a task force recommendation, I encourage legislators to consider having the ballot also include at least one elected official position.

Finally, I want to share my deep gratitude for the other task force members and Wilder Research, who adjusted busy schedules to go above and beyond. Their time, patience, and dedicated efforts were key factors in creating a report with solid and actionable recommendations. We look forward to more conversations about local taxes and working with legislators on this important topic.

Sincerely,

Paul Marquart
Commissioner
Minnesota Department of Revenue

Executive Summary

Authorized by Minnesota Laws 2023, Chapter 64, article 10, section 51, the Local Taxes Advisory Task Force (Task Force) was established to examine the role of local taxes as a funding mechanism for local governments and to determine:

- Objective evaluation criteria for general local sales tax proposals, food and beverage tax proposals, and lodging tax proposals seeking accommodations beyond restrictions already outlined in Minnesota Statute 469.190
- The appropriate entity or entities to evaluate local tax proposals based on the established criteria and the appropriate process for enacting special laws authorizing new or changing existing general and special local taxes
- Any necessary changes to current law to accommodate the determinations made by the Task Force

Key Principles Guiding Recommendations

Task Force members identified a set of seven core principles to guide the development of evaluation criteria. These principles are detailed in the Local Taxes Advisory Task Force legislative report. The Task Force encourages any future recommendations from the Minnesota Legislature or future Task Force groups to adhere to the same set of principles. It also encourages the Legislature to consider these principles when considering special legislation for individual communities.

Task Force Recommendations

See the main report for additional details about each recommendation.

General Local Sales and Use Taxes

Recommendation 1: General local sales and use tax funding should be limited to capital projects that serve a regional population, provide economic development benefits and opportunities, or draw individuals to the region. In addition, access fees for residents and non-residents should be equal. Each project requires a demonstration of regionality.

Recommendation 2: Cities and counties do not need legislative approval to seek a local sales tax to fund the projects listed in Table 4 on Page 13. A county or city must submit documentation to the Minnesota Office of the State Auditor to ensure that the required demonstration of regionality is met for each project. Other recommendations for all general local sales taxes included in this report must also be met.

If legislators determine all general local sales and use tax proposals must be approved by the Legislature, the Task Force recommends legislators use the provided recommendations to evaluate the regional benefit of each proposal, giving special attention to projects that depart from the listed recommendation.

Recommendation 3: If proposed capital projects are not regional, the Legislature must consider equalization broadly as part of state aid and other tax bases.

Recommendation 4: The Office of the State Auditor should be the office that ensures proposed general local sales and use taxes do not need legislative approval, and it should coordinate with Revenue on the review, administration, and audit aspects of the general local sales and use tax process.

Recommendation 5: The cost of the project, plus all associated financing costs, must total up to a maximum dollar amount or up to a maximum 30-year collection period, whichever comes first.

Recommendation 6: The approval process and timeline must meet the needs of the State Auditor and provide cities and counties the ability to meet legislative deadlines if needed.

Recommendation 7: All general local sales taxes, excluding county transportation sales and use taxes, must be approved by the voters only at a general or special election on the first Tuesday after the first Monday in November. Ballot language should meet the uniform requirements outlined in this report.

Recommendation 8: A reasonable amount of funds should be set aside from city and county general local sales and use tax collections to defray administration costs of Revenue, the State Auditor, and small business filers.

Recommendation 9: General local sales and use taxes imposed by a city or county must be limited to 1% in total for each government entity. For counties, the 1% limit is inclusive of county transportation sales and use tax.

Local Lodging Taxes

Recommendation 10: Before seeking legislative approval for a lodging tax outside of M.S. 469.190, a local government must provide notice to all businesses subject to administering the tax and hold a public hearing.

Recommendation 11: There are no recommended changes to the current law under M.S. 469.190 regarding the imposition and use of local lodging taxes. Any entity looking to use the tax for another purpose would seek special legislation and legislative approval.

Local Food, Beverage, and Entertainment Taxes

Recommendation 12: Before seeking legislative approval for a food, beverage, or entertainment tax, a local government must provide notice to all businesses subject to administering the tax and hold a public hearing.

Recommendation 13: Food, beverage, and entertainment taxes require legislative approval.

Recommendation 14: The Legislature must examine (perhaps through a future task force) the definitions of and parameters for use of food, beverage, and entertainment taxes as well as any appropriate limits and guidance for their use.

Local Transportation Taxes

Recommendation 15: There are no recommended changes to the current local transportation tax process.

Additional Considerations

The Task Force encourages the Legislature to consider future convened groups to advance questions and conversations important to the role of local taxes in funding local government needs on behalf of Minnesota communities.

The following areas require further conversation and consideration:

- Guidance for special districts and jurisdictions that want to use a general local sales and use tax
- The layering of multiple taxes in a region that impacts individual taxpayers and small businesses and consideration of alternate revenue sources
- Consultation on local sales taxes with Tribal governments and methods to continue relationship-building

Introduction

The 2023 tax bill created a Local Taxes Advisory Task Force to consider how city and county governments use local taxes—including sales, food and beverage, and lodging—and then provide recommendations for improving policies and practices around local sales tax use to legislators.

While there are many types of taxes, the bulk of Minnesota’s tax revenue is paid by “the big three”— individual income tax, property tax, and sales tax. Historically, Minnesota has relied heavily on property taxes to fund projects, and until the state sales tax was introduced in 1967, property taxes accounted for the majority of Minnesota tax revenue (Minnesota Department of Revenue, 2004).

In 1967, Minnesota became the second-to-last state to adopt a state sales tax (3%), to offset the “rapidly rising” and “increasingly unpopular” local property taxes (Minnesota Department of Revenue, 2004, p. 1). Four years later in 1971, the sales tax increased to 4%.

Table 1 shows a timeline and brief overview of local sales and use tax policy milestones in Minnesota.

Table 1. Minnesota Sales And Use Tax History Milestones, Year 1967-Present

Year	Milestones
1967	<ul style="list-style-type: none"> • First state sales tax (3%) enacted
1971	<ul style="list-style-type: none"> • Omnibus bill (Minnesota Miracle) enacted • Sales tax increases to 4% • First Local Government Aid (LGA) program established • General prohibition against local sales taxes enacted
1981	<ul style="list-style-type: none"> • State sales tax increases to 5%
1983	<ul style="list-style-type: none"> • State sales tax increases to 6%
1991	<ul style="list-style-type: none"> • State sales tax increases to 6.5%
1997	<ul style="list-style-type: none"> • First statutory provisions enacted regarding local governments seeking special legislation to impose a local sales tax
2004	<ul style="list-style-type: none"> • Minnesota Department of Revenue submits a report to the Minnesota Legislature on local sales and use taxes
2008	<ul style="list-style-type: none"> • State sales tax rate increase to 6.875% • Local units of government are prohibited from expending revenues to advertise or promote local sales tax ballot questions • The Legislature creates authority for metropolitan area counties to impose a transportation sales tax of 0.25% to fund metropolitan area joint powers entity

Year	Milestones
2011	<ul style="list-style-type: none"> • The Legislature reverses the approval process for local sales taxes, requiring that local governments receive approval from the voters prior to seeking a law change
2013	<ul style="list-style-type: none"> • The Legislature creates authority for Greater Minnesota to impose a county transportation sales tax up to 0.5% upon passage of a resolution to fund specified transportation projects
2019	<ul style="list-style-type: none"> • The Legislature makes numerous changes to the local sales tax process, including: <ul style="list-style-type: none"> – Reversal of the approval process for local sales taxes again, requiring they receive a law change prior to seeking voter approval – A January 31 deadline to send their detailed proposal and resolution to the House and Senate tax chairs – Requirement that only up to five projects be included in a local sales tax request, and that the five projects be voted on separately – Prohibit cities from including a motor vehicle excise tax as part of any future local sales tax request – Expanding the 0.5% county transportation sales tax to include metropolitan area counties.
2021	<ul style="list-style-type: none"> • The Legislature defines “capital project” for local sales tax projects in state statute for the first time. The definition covers single building or structure, including associated infrastructure needed to safely access or use the building or structure; improvements within a single park or named recreation area; or a contiguous trail.
2023	<ul style="list-style-type: none"> • Legislature passes a tax bill that includes a two-year moratorium on new local sales taxes and the establishment of the Local Taxes Advisory Task Force.

Local Taxes Advisory Task Force Expectations

The Task Force was authorized by Minnesota Laws 2023, Chapter 64, article 10, section 51. The Task Force responsibilities included:

Examine the role of local taxes as a funding mechanism for local governments and determine:

- Objective evaluation criteria for
 - General local sales tax proposals
 - Food and beverage tax proposals
 - Lodging tax proposals seeking accommodations beyond the restrictions of M.S. 469.190
- Appropriate entity or entities to evaluate local tax proposals based on the established criteria
- Appropriate process for enacting special laws authorizing new or changing existing general and special local taxes
- Necessary changes to current law to accommodate the determinations made by the Task Force

The Task Force must reach decisions as a group with an agreed-upon consensus process made during public meetings and associated work. Task Force meeting processes are detailed in Appendix A.

Local Taxes Advisory Task Force Members

Task Force membership included the commissioner of Revenue, four public members appointed by the commissioner, and one member each from the League of Minnesota Cities and the Association of Minnesota Counties.

- Revenue Commissioner Paul Marquart chaired the Task Force meetings
- Public members included:
 - Lisa Bode, Governmental Affairs Director, city of Moorhead
 - Pat Dalton, retired Legislative Analyst, Minnesota House Research Department
 - Suyapa Miranda, Executive Director, Prepare + Prosper
 - Jill Sims, Director of Government Affairs, Hospitality Minnesota
- The League of Minnesota Cities appointed Jenny Max, Nisswa City Administrator and current League president
- The Association of Minnesota Counties appointed Michael Williams, Stearns County Administrator

Public Member Selection

Revenue posted the four public member positions on the Minnesota Secretary of State’s website on June 16, 2023. Revenue promoted the open seats and encouraged applications through the department’s social media platforms. Eleven people applied for the four seats.

On July 7, 2023, Revenue began a review of applications to identify public members who represented geographic regions across Minnesota, presented diverse ideas, and had expertise on the topic of local sales taxes in Minnesota. Revenue announced the public members on August 9, 2023.

Broader Perspectives

Task Force members brought perspectives from local and county government and their historical knowledge of local taxes, low- and moderate-income households, the hospitality industry, and tax administration. Four members live in Greater Minnesota and three reside in the seven-county metro area.

The Task Force’s small size meant some important perspectives were missing on the task force, including those from:

- Tribal governments
- Black, Indigenous, and People of Color (BIPOC) communities
- Businesses that collect local sales taxes
- Tax professionals supporting businesses as they navigate various local sales tax obligations

To support inclusion of these and other perspectives as well as to capture additional feedback, the Task Force provided three opportunities for public testimony and a public comment period. The feedback gathered through public testimony, public comments on the draft report, and the Task Force’s broad experiences and geographic representation were all important to the development of the final set of recommendations.

Supporting Groups for the Task Force

Revenue ensured that staff with subject matter expertise were available to provide the Task Force with insights on historical background, administrative considerations, and legislative processes for local and special taxes. Revenue staff represented two divisions within the agency: Tax Research and Sales and Use Tax, which included Policy Services and the Local Government Services Unit. They met weekly to prepare, plan, and gather resources to support Task Force discussions.

Revenue hired Wilder Research to facilitate meetings and the recommendation development process, record meeting minutes, and draft the legislative report. As a result, the Task Force was able to:

- Fully participate in discussions
- Remain neutral and independent
- Ensure the final report fully and accurately reflected the Task Force’s recommendations

Development of Principles

Task Force members developed and agreed on seven core principles to guide the evaluation of local tax policies and related recommendations (Table 2). The principles are not ranked in a particular order and should be considered in their totality.

Table 2. Principles With Consensus

Number	Principle
1	Cities and counties should have the flexibility and autonomy to pursue sales taxes for criteria-based regional projects in consultation with their voters, without going to the Legislature.
2	Voters in the jurisdiction imposing the tax must approve the local sales tax in a referendum. Voters must be provided with information on the burden and benefits of all proposed taxes and projects so they can make informed decisions on whether to impose a local sales tax.
3	To ensure that local sales taxes do not increase inequality among local governments, local sales tax revenues should only be used to fund projects of regional significance.

Number	Principle
4	To the extent possible, the cost of administering local taxes should be borne by the local governments imposing the taxes, and not individuals, the state, or businesses.
5	To ensure fairness, all cities and counties should have access to uniform, modern, and transparent parameters regarding sales tax authorization and criteria for projects.
6	To ensure equity, local sales tax policies should recognize, and remedy to the extent possible, disparate burdens on socio-economic groups.
7	Local sales tax policies should recognize cities and counties have differences in capacities to raise revenue and potential overburdens in providing services.

Based on the guiding principles, the Task Force made a set of decisions that included:

- Adjustments in current evaluation criteria for local taxes
- The entities to hold authority across the tax process
- The process of enacting a local tax from start to finish
- Recommendations across each category of taxes (for some types of local taxes, the Task Force recommended that current policies remain in place)

After developing the guiding principles, the Task Force reviewed and compared relevant statutes (using a table provided by Revenue’s Local Government Services Unit) as a starting point to consider each local tax type (Table 3).

Table 3. Statute Comparison

Requirements	Minnesota Statute 297A.99 (Local Sales Taxes)	Minnesota Statute 297A.993 (County Transportation Sales and Use)	Minnesota Statute 469.190 (Local Lodging)	Minnesota Statute 469.190 *	Special Taxes **
Resolution	Yes	Yes	Yes	Yes	No
Project plan	Yes	Yes	No	No	No
Sunset date	Yes	Yes	No	No	No
Funding cap	Yes	Yes	No	No	No
Rate cap	No	0.50%	3%	No	No
Projects	Up to 5	Transportation	95% for Tourism and Convention Center	Projects Vary	No Requirements
Legislative approval	Yes	No	No	Yes	Yes
Referendum	Yes	No	No	No	No [^]
File with Secretary of State	Yes	No	No	Yes	Yes
Revenue Department Administration	Required	Required	No	No	No

Source: Minnesota Department of Revenue’s Local Government Services Unit.

* Applies to lodging taxes above 3% or changes to how revenues are spent.

** Admissions, Entertainment, Food and Beverage, Liquor, and other special taxes.

[^] Referendum is not required unless otherwise specified.

Impact of Taxes on Stakeholder Groups

The Task Force considered changes to the current tax policy structure focused on the impacts on specific stakeholder groups, namely individuals, small businesses, local cities and counties, state agencies and offices, and the Legislature.

Individuals

In a review of local taxes, there are always burdens to consider for individuals who pay property taxes, state and federal income taxes, state sales taxes, and a variety of local taxes.

While some projects are of significant benefit to the economy by providing jobs and an influx of visitors, and others can be of significant benefit to low-income communities (such as community centers and libraries), Task Force members raised concerns that new policies could disproportionately burden low-income communities by asking low-income communities to pay a higher share of taxes for facilities they may not be able to access.

Small Business Owners

Even as more revenue is needed in local communities, the responsibility to collect and administer local sales and use taxes can result in additional burdens for small business owners. Businesses need support to manage the administrative work more efficiently. The Task Force discussed potential solutions such as simplifying the local tax structure, providing a vendor collection allowance or a Certified Service Provider budget, and other approaches aligning with Streamlined Sales Tax. However, many of these solutions require an additional cost.

Local City and County Governments

Local government entities face tensions on the need to secure additional revenue for capital projects that provide government services to local communities. The Task Force discussed the timing burden for legislative approval for projects, delays related to the COVID-19 pandemic and inflation that have increased project costs, and other considerations of the legislative process. Additionally, the Task Force considered inequities between local government entities where the retail base is not sufficient to raise revenue from sales taxes.

State Agencies and Offices

State agencies implementing and authorizing the taxes, such as Revenue and the State Auditor, also face unique burdens. A proliferation of many local taxes has increased the volume and complexity of the administrative work required to track, collect, notify, monitor, and report on local sales taxes.

The Legislature

The burdens faced by the Legislature with local tax policies centers on an increasing number of requests from city and county governments. Each request is unique to the needs of a local community, making consistent legislative evaluation of local tax requests a challenge.

The following sections summarize current policy and Task Force recommendations in four areas: general local sales and use taxes; local lodging taxes; local food, beverage, and entertainment taxes; and local transportation taxes.

General Local Sales and Use Taxes

Current Policy

General local sales and use taxes apply to the sale of qualifying goods and services, where the revenues are used for capital projects. Revenue administers all general local sales and use taxes. To impose a general local sales and use tax, city and county governments must receive authorization from the Legislature by completing these steps:

- 1. The city or county must pass a resolution that includes:**
 - a) A proposed tax rate.
 - b) A detailed description of up to five projects to be funded with the tax. A capital project includes:
 - i. A single building or structure, including associated infrastructure needed to safely access or use the building or structure.
 - ii. Improvements within a single park or named recreation area.
 - iii. A contiguous trail.
 - c) Documentation of how each project will provide an economic benefit to residents, businesses, and visitors from outside the jurisdiction.
 - d) Amount of revenue to be raised for each project and the estimated time needed to raise funds.
 - e) Total amount of revenue to be raised for all projects.
 - f) Estimated length of time the tax will be in effect if all proposed projects are approved.

- 2. The city or county must submit the approved resolution and supporting documents to the Senate and House Taxes Committee chairs by January 31.**
 - a) The bills will be reviewed, and testimonies will be heard in the House and Senate Taxes Committees. If passed, the bill will be considered for inclusion into an omnibus tax bill.

- 3. The city or county must pass a referendum to impose the tax.**
 - a) Hold a vote at a general election within two years of legislative approval.
 - i. Each project must be a separate question for approval.
 - ii. Voters must approve by a majority vote. If a project is not approved by the voters, the revenue and expiration date must be adjusted.
 - b) City and county governments cannot spend money to advertise or promote the proposed tax. They may publicize information included in the resolution.

- 4. If approved, the city or county will create and pass an ordinance imposing the tax.**
 - a) File a certificate of approval and a copy of the ordinance with the Secretary of State.
 - b) Once filed, the local entity must notify Revenue in writing, at least 90 days in advance of the start of a new local tax.

Task Force Recommendations: General Local Sales and Use Taxes

Recommendation 1: General local sales and use tax funding should be limited to capital projects that serve a regional population, provide economic development benefits and opportunities, or draw individuals to the region. In addition, access fees for residents and non-residents should be equal. Each project requires a demonstration of regionality.

Recommendation 2: Cities and counties do not need legislative approval to seek a local sales tax to fund the projects listed in Table 4. A county or city must submit documentation to the State Auditor to ensure that the required demonstration of regionality is met for each project. Other recommendations for all general local sales taxes included in this report must also be met.

Proposed general local sales and use tax that do not meet these criteria should go to the Legislature for approval.

If legislators determine all general local sales and use tax proposals must be approved by the Legislature, the Task Force recommends legislators use the provided recommendations to evaluate the regional benefit of each proposal, giving special attention to projects that depart from the listed recommendation.

Table 4. List of Project Categories That Do Not Require Legislative Approval

Project Categories	Project Definitions and Demonstration of Regionality
Library	A library that is part of a regional public library system as designated by the regional library board. (See M.S. 134.20.)
Regional sports complex	<p>A defined area of sports pavilions, stadiums, gymnasiums, swimming pools, or similar facilities where members of the public engage in physical exercise, participate in athletic competitions, witness sporting events, and host regional tournaments.</p> <p>A public hearing for residents and nonresidents must be held. A city or county must also meet the requirements of one of these three options:</p> <ol style="list-style-type: none"> 1. An analysis of the surrounding region demonstrates that there is no similar athletic complex open to nonresidents at the same cost as residents within a 15-mile radius. <ul style="list-style-type: none"> • The Task Force encourages legislators to consider if there should be a different radius for rural parts of the state compared to major population centers. • Another consideration is to use population size or class of city as a marker to determine square footage requirements, with larger regional population requiring facilities with more square footage. 2. Letter or resolutions from at least two surrounding local governments that affirmatively acknowledge that there is a local or regional need for the proposed capital project. 3. A shared sales tax model with surrounding local governments, with revenue generated contributing to a major capital project and some aspect of revenue sharing for smaller projects that meet local needs.

Project Categories	Project Definitions and Demonstration of Regionality
Regional community center	<p>A minimum 10,000-square-foot structure expressly designed and constructed for the purposes of recreational, cultural, educational, or public group activities, or for civic engagement or social support, serving both residents and nonresidents of the community.</p> <p>A public hearing for residents and nonresidents must be held. A city or county must also meet the requirements of one of these three options:</p> <ol style="list-style-type: none"> 1. An analysis of the surrounding region demonstrates that there is no community center open to nonresidents at the same cost as residents within a 15-mile radius. <ul style="list-style-type: none"> • The Task Force encourages legislators to consider if there should be a different radius for rural parts of the state compared to major population centers. • Another consideration is to use population size or class of city as a marker to determine square footage requirements, with larger regional population requiring facilities with more square footage. 2. Letter or resolutions from at least two surrounding local governments that affirmatively acknowledge that there is a local or regional need for the proposed capital project. 3. A shared sales tax model with surrounding local governments, with revenue generated contributing to a major capital project and some aspect of revenue sharing for smaller projects that meet local needs.
Convention center	Structure expressly designed and constructed for the purposes of presenting conventions, public meetings, and exhibitions and includes parking facilities that serve the center. The convention center must have a minimum of 50,000-square-foot for exhibit and meeting spaces.
Airport	Regional by function and use.
Park	Meets three of the five criteria to be considered a regional park under the Parks and Trails Legacy Plan (Minnesota Department of Natural Resources, 2011).
Trail	Meets three of the five criteria to be considered a regional trail under the Parks and Trails Legacy Plan (Minnesota Department of Natural Resources, 2011).

Project Categories	Project Definitions and Demonstration of Regionality
Criminal justice facilities	<p>Many criminal justice facilities are multi-function. The Task Force focused on three core capital projects: correctional facilities, district court offices, and law enforcement centers. The Task Force recommends capital projects and improvements for criminal justice facilities be done in conjunction with one another.</p> <p>Correctional Facility Criteria</p> <p>The Department of Corrections (DOC) recommends the need for planning for long-term public safety needs, the facility is over 30 years old and needs updates, or the facility (or planned facility) is a joint county project between at least two counties.</p> <p>To meet the criteria, the facility must be fully licensed, and counties will provide one of the following:</p> <ul style="list-style-type: none"> • Official communications from DOC inspectors with analysis of the building • Joint Power Agreement or other official documentation with at least one other county demonstrating the facility will serve public safety functions for the region <p>District Court Office Criteria</p> <p>An existing facility that is at least 30 years old and requires capital improvements.</p> <p>To meet the criteria, counties and courts will provide the age of the facility.</p> <p>Additional considerations include:</p> <ul style="list-style-type: none"> • State courts and counties should develop an evaluation method similar to the DOC and correctional facilities to better understand capital improvement needs for a court • District court capital improvements should be done in conjunction with correctional facility capital improvements <p>Law Enforcement Center Criteria</p> <p>Capital projects for a facility that serves multiple communities and provides public safety functions, including emergency 911 and dispatch functions, training facilities, court security and support, emergency operations, evidence and record retention, and other public safety services.</p> <p>To meet the criteria, counties must present:</p> <ul style="list-style-type: none"> • Formal documentation demonstrating agreements with other communities that the functions will meet the needs of multiple government entities

Recommendation 3: If proposed capital projects are not regional, the Legislature must consider equalization broadly as part of state aid or other tax bases. Some options the Legislature might consider for equalization include:

- Contribute a portion of general local sales and use taxes at a percentage determined by legislators to:
 - A statewide fund to make grants to jurisdictions that do not have the retail mix to maximize a general local sales and use tax.
 - A county-wide fund, which the county would award grants from the fund to those jurisdictions that do not have a retail mix to maximize a general local sales and use tax.
- Require a city or county government to add a local property tax minimum effort of 1% of their net tax capacity. The amount raised from this property tax would be subtracted from the total project cost to get the final net local sales tax amount to be levied.
- Have the state bonding process account for general local sales and use tax, giving priority to a local city or county that does not have a general local sales and use tax.
- Have formulas for Local Government Aid and County Program Aid account for a city's or county's local sales tax base in distributing these state aid programs.

Recommendation 4: The State Auditor should be the office that ensures proposed general local sales and use taxes meet the demonstration of regionality in Table 4 and do not need legislative approval. The State Auditor should coordinate with Revenue on the review, administration, and audit aspects of the general local sales and use tax process.

The State Auditor should:

- Review and confirm that requests for local general sales and use tax meet the necessary criteria and do not require legislative approval
- Audit city and county governments to ensure funds are allocated and spent appropriately

Revenue will administer the taxes, which includes the following tasks:

- Notify the public and registered businesses of a new tax
- Update systems and information, including rate and boundary files, Streamlined Sales Tax Governing Board, sales tax tools, website, and other materials
- Administer local taxes:
 - Process returns and payments submitted by businesses
 - Calculate and send payments to local governments
 - Provide tools and support to businesses collecting sales taxes
 - Audit businesses with in-state and out-of-state presence
 - Handle appeals and tax court cases
 - Offer training, educational opportunities, and answer tax questions

Recommendation 5: The cost of the project, plus all associated financing costs, must total up to a maximum dollar amount or up to a maximum 30-year collection period, whichever comes first.

Recommendation 6: The approval process and timeline must meet the needs of the State Auditor and provide cities and counties the ability to meet legislative deadlines if needed.

- November 15 (of the prior year): Deadline for local jurisdiction to pass a resolution

- November 30 (of the prior year): Deadline for local jurisdiction to submit paperwork to State Auditor
- January 10: Deadline for State Auditor to verify local project meets criteria and respond to local government with confirmation; if the project does not meet the criteria, then the local government can still submit to the Legislature based on the January 31 deadline.

Recommendation 7: All general local sales taxes, excluding county transportation sales and use taxes, must be approved by the voters only at a general or a special election on the first Tuesday after the first Monday in November. Ballot language should meet the following uniform requirements:

- A general local sales tax should not be used for a capital project that is already under construction outside of costs incurred from planning and architecture
- Each capital project requires its own separate referendum vote
- Ballot language should be limited to the following components:
 - Description of the capital project, and if appropriate, acknowledge any state mandate for a government service
 - That the city or county is seeking authorization from voters to impose the sales tax
 - Cost of the project
 - Start date and maximum project cost that can be generated for a period lasting no longer than 30 years
 - Local sales tax rate for the capital project
 - The following specific language: “By voting ‘Yes’ you are voting to [increase, extend a general local sales tax that would otherwise expire, implement a new] local sales tax at X%.”

Recommendation 8: A reasonable amount of funds should be set aside from city and county general local sales and use tax collections to defray administration costs of Revenue, the State Auditor, and small business filers.

Recommendation 9: General local sales and use taxes imposed by a city or county must be limited to 1% in total for each government entity. For counties, the 1% limit is inclusive of county transportation sales and use tax.

Local Lodging Taxes

Current Policy

Under M.S. 469.190, cities, towns, or a county board acting on behalf of an unorganized territory may impose a local lodging tax of up to 3%. Ninety-five percent of the gross proceeds are to be used to fund a local convention or tourism bureau for the purpose of marketing and promoting the city or town. Local entities can administer their own lodging tax or request Revenue to administer.

Local lodging taxes apply to lodging and related services and follow the same tax base as the general Minnesota state sales and use tax rules.

Task Force Recommendations: Local Lodging Taxes

Recommendation 10: Before seeking legislative approval for a lodging tax outside of M.S. 469.190, a local government must provide notice to all businesses subject to administering the tax and hold a public hearing.

Recommendation 11: There are no recommended changes to the current law under M.S. 469.190 regarding the imposition and use of local lodging taxes. Any entity looking to use the tax for another purpose would seek special legislation and legislative approval.

Local Food, Beverage, And Entertainment Taxes

Current Policy

For admissions, entertainment, food and beverage, liquor, and other special local taxes, there is no specific law associated to special local taxes, but it will require legislative approval under M.S. 645.021. Only the special legislation dictates how revenues are spent, what the rate needs to be, how much revenue can be generated, and whether there is a sunset date. Definitions of “food,” “beverage,” or “entertainment” is often established by city ordinance and may differ among jurisdictions and from general state and local tax statutes.

Task Force Recommendations: Local Food, Beverage, and Entertainment Taxes

Recommendation 12: Before seeking legislative approval for a food, beverage, or entertainment tax, a local government must provide notice to all businesses subject to administering the tax and hold a public hearing.

Recommendation 13: Food, beverage, and entertainment taxes require legislative approval.

Recommendation 14: The Legislature must examine (perhaps through a future task force) the definitions of and parameters for use of food, beverage, and entertainment taxes as well as any appropriate limits and guidance for their use.

Local Transportation Taxes

Current Policy

Any county may impose a local sales and use tax of up to 0.5% and a \$20 vehicle excise tax on commercial sales of motor vehicles to fund a transportation or transit project. These funds can also be used to fund transit operating costs and safe routes to school programs. Revenue administers all local transportation sales and use taxes.

To impose a local transportation tax, the political subdivision must complete these steps:

1. Publish advanced notification of a public hearing to discuss potential transportation projects
2. Pass a resolution that includes:
 - Reference to M.S. 297A.993
 - Proposed tax rate up to 0.5%
 - \$20 vehicle excise tax (if applicable)
 - Intended use of the revenue (project plan)
 - Amount of revenue to be raised
 - Anticipated expiration date
 - Intent to have the Revenue administer the new tax
 - Reference to governing statute M.S. 297A.99, subd. 4 and 6-13

Task Force Recommendations: Local Transportation Taxes

Recommendation 15: There are no recommended changes to the current local transportation tax process.

Additional Considerations

The Task Force encourages the Legislature to consider future convened groups to advance questions and conversations important to the role of local taxes in funding local government needs on behalf of Minnesota communities.

The following areas require further conversation and consideration:

- Special districts and jurisdictions and their need to consider tax revenue and guidance
- The layering of multiple taxes in a region that individual taxpayers and small businesses navigate and alternate revenue sources
- Consultation on local sales taxes with tribal governments and methods to continue relationship-building

References

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- Thorson, G. R., & Anderson, J. L. (2006). The Minnesota Miracle abandoned? Changes in Minnesota school funding, 2001-2007. *Rural Minnesota Journal*, 27-43. <https://www.ruralmn.org/wp-content/uploads/2011/03/The-Minnesota-Miracle-Abandoned.pdf>

Appendix A: Task Force Process

Public Meetings

Each public meeting moved the Task Force closer to understanding stakeholders involved in the life cycle of the local tax process, the impacts on those stakeholders, and potential recommendations. Guided discussions during meetings enabled deeper understanding of different stakeholders’ experiences related to current and future tax policy (for example, what is the experience of businesses administering taxes or how do communities with smaller retail bases generate necessary flexible revenue?) Public meeting dates, as well as public testimony dates, are identified in Table A1.

Table A1. Public Meeting Dates of the Task Force

Public meeting dates	Session type
August 16, 2023	Task Force meeting and work session
August 30, 2023	Task Force meeting and work session
September 13, 2023	Task Force meeting and work session
September 27, 2023	Public testimony
October 17, 2023	Task Force meeting and work session
November 1, 2023	Task Force Meeting and work session
November 8, 2023	Public testimony
November 22, 2023	Task Force meeting and work session
November 27, 2023	Task Force meeting and work session
December 6, 2023	Task Force meeting and work session
December 12, 2023	Task Force meeting and work session
December 20, 2023	Public testimony

Public meeting dates	Session type
January 3, 2024	Task Force meeting and work session
January 11, 2024	Task Force meeting and work session
January 25, 2024	Task Force meeting and work session

Public Input

The Task Force dedicated three meetings to public testimony and a public comment period was held January 10-17, 2024.

Task Force Meeting Approach

Throughout its process, the Task Force met up to four times per month from August 2023 to January 2024. Each meeting lasted between 1.5 to 4 hours. Commissioner Paul Marquart chaired the meetings and called upon members to speak in turn. Wilder Research provided facilitation of activities designed to prompt discussion of topics required of the Task Force to meet legislative objectives. Progress was tracked using this set of milestones:

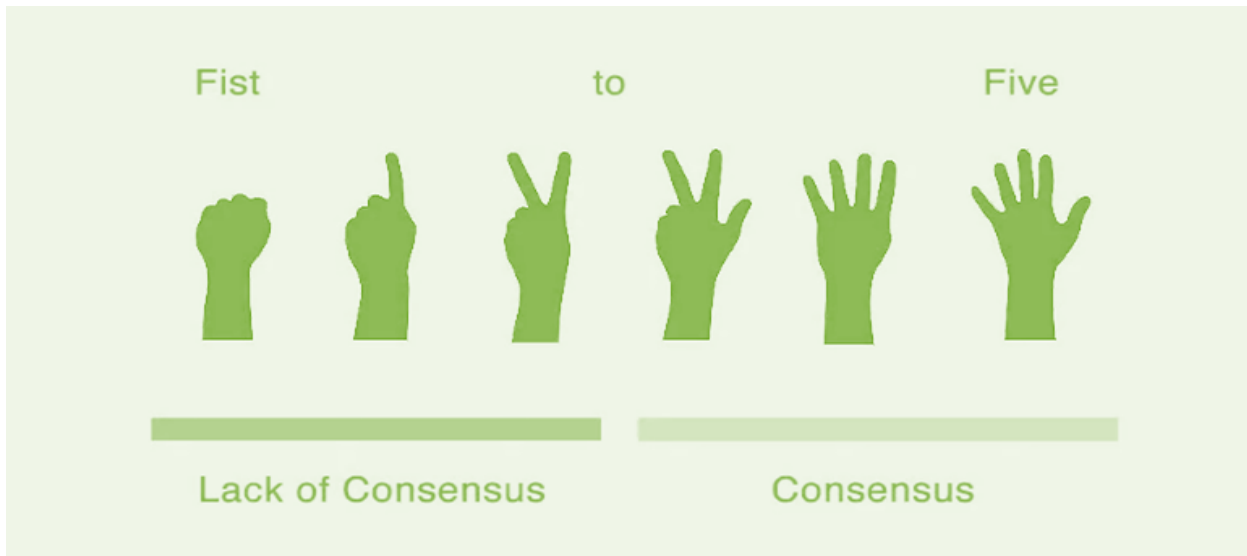
1. Concepts
2. Priorities
3. Evaluation of guidelines
4. Proposed amendments
5. Recommendations

There were three public testimony opportunities offered to the public to submit either written or five-minute verbal presentations on topics related to the Task Force’s charge. For the sake of fairness and time, Task Force members did not have follow-up discussion or the opportunity to ask questions of the testifiers. A public comment period was available January 10-17. Where possible, the report includes public testimony and comment that either reflects the Task Force’s decisions or offers alternative positions for more consideration. Broader themes from public testimony and the comment period are included in Appendix D.

Between each of the public meetings, Wilder Research assigned homework that asked members to continue to develop ideas, processes, and definitions. Wilder compiled and presented homework assignments to help with decision-making.

Wilder proposed that consensus of the group majority (as per the statutory guidelines of the Task Force) be determined using a simple fist-to-five method where members raise their fingers on one hand to a number between one and five. Numbers indicating three and higher from the majority of the group indicated consensus to move forward on a decision. If majority presented a rating of two or lower, then

that decision would not have consensus to move forward. In occasions where one or two members were in direct opposition to the group, those members were offered an opportunity to provide a dissenting opinion in a follow-up letter (included in Other Appendices).



Note. The image was adapted from T2informatik. (n.d.). What is fist to five? <https://t2informatik.de/en/smartpedia/fist-to-five/>

Appendix B: Task Force Agreements and Definitions

Conceptual Agreements

Early meetings focused on developing consensus on key terms and their definitions. In turn, these terms and definitions provided a foundation to evaluate important concepts and processes as they related to local taxes in Minnesota. The terms listed in Table B1 reflect the range of concepts the Task Force discussed on the meaning and application of each term used in their evaluation of local taxes.

Key Terms and Definitions

Table B1. Definitions of Key Terms

Term	Task Force Definition
Access	<p>City and county governments have clear and consistent guidelines to pursue local sales taxes as a revenue stream.</p> <p>Individuals and businesses have information readily available to make decisions on the merit of local sales tax proposals and to understand expectations and comply with local sales taxes.</p>
Autonomy	<p>Through a voter referendum, voters are the final decision-makers to impose a local sales tax to fund a capital project.</p> <p>Cities and counties can use local sales taxes to generate revenue for capital projects needed to provide government services to a region.</p>
Benefit	<p>Individuals in the region paying a tax have access to the government services and resources from the revenues generated by the local sales tax.</p>
Burden	<p>For businesses, state agencies, and city and county governments, the collection, monitoring, auditing, and administration are a burden.</p> <p>For individuals, burden is the inequity some groups pay in sales taxes compared to others.</p>
Equalization	<p>Ensuring consistency in providing the average amount of government services with the average tax rate.</p>
Equity	<p>Balancing benefits with the tax burden among different stakeholder groups.</p>

Term	Task Force Definition
Fairness	All city and county governments should be treated the same when pursuing a local sales tax.
Flexibility	Cities and counties should have several options available to fund a variety of capital projects.
Modernization	Updating and streamlining the tax system to ensure administering and collecting taxes is simple and clear.
Regionality	Capital projects and government services provides a benefit and draw to the region.
Simplicity	Reliable timelines and clear guidelines for enacting the tax; ease of comprehension and remittance by businesses.
Transparency	Taxpayers know what the tax will fund and the benefits they will receive. Businesses have the information that allows them to comply easily.

Several terms were difficult for Task Force members to define, including regionality, equity, and equalization. The challenge in reaching consensus on these terms came from an appreciation for the various stakeholder perspectives and experiences with these terms. Eventually, the Task Force reached consensus on the definitions in the table.

Appendix C: A Brief History of State and Local Fiscal Relationship in Minnesota

The Minnesota Miracle, Local Government Aid, and a Move Toward Centralized Funding

In 1971, the Legislature passed an omnibus tax bill, later called the Minnesota Miracle (Thorson & Anderson, 2006). A major impetus for this tax bill was to shift funding for education away from local property taxes to a more equitable state-funded system because districts that had a wealthier tax base had more dollars for education (Thorson & Anderson, 2006). Property taxes began to decrease and the state saw increases in income tax rates as well as the newly founded state sales tax (increasing from 3% to 4%).

The Minnesota Miracle’s focus on state funding included a prohibition of new or increased local taxes, stating that “new local sales taxes were limited to those specifically authorized by state legislation” (Minnesota Department of Revenue, 2004, p. 1). Five cities—Minneapolis, Bloomington, Duluth, St. Paul, and Rochester—had already adopted local sales taxes before the prohibition took effect. However, other communities were required to go through the new authorization process to enact their own local sales taxes and many areas needed to rely solely on local property taxes.

Because increasing property taxes creates additional burden on residents of small towns and cities, additional funding mechanisms were needed. In addition, 1971 legislation saw the establishment of the first Local Government Aid (LGA) program (League of Minnesota Cities, 2023). The LGA program is state aid to cities (and initially counties) who have an unmet financial need. Calculating the amount of funding that each city receives includes a “complex formula that compares a city’s expenditure need to its ability to pay...this difference, or gap, is the city’s unmet need” (League of Minnesota Cities, 2023).

In the 1980s, LGA “became primarily a city program” and “county LGA was finally eliminated in 1991” (Dalton, 2020). While counties were removed from LGA, aid was still distributed to counties under various different program until 2004 when they were consolidated into one program, County Program Aid (CPA).

The Need for More Revenue to Fund Local Projects

In the 1990s, continued pressure for other revenue options created more requests to have legislation that would authorize new local sales taxes (Minnesota Department of Revenue, 2004, p. 1), allowing smaller cities and towns to generate revenue beyond the local property tax.

In the 2004 legislative report on this same topic, Revenue illustrated that local governments are far more reliant on local property taxes than on local sales and use taxes, compared to other states. For example, in fiscal year 2000, local property taxes accounted for 94% of all local tax revenue in Minnesota, versus 72% across all other states. Local sales and use tax accounted for 3% of local tax revenue in Minnesota, compared to 17% in other states (Table C1; Minnesota Department of Revenue, 2004, p. 2).

Table C1. Local Tax Revenue Comparison for Fiscal Years 2000 and 2020, by Tax Type

Tax Type	2000		2020	
	Minnesota	All States	Minnesota	All States
Property	94.2%	71.6%	90.7%	72.2%
Sales and Use	2.8%	17.2%	5.9%	17.3%
Income	0.0%	5.1%	0.0%	4.9%
Corporate Franchise	0.0%	1.1%	0.0%	1.1%
Motor Vehicle Sales	0.1%	0.4%	0.16%	0.3%
Other taxes	2.9%	4.6%	3.3%	4.2%

Source. State of Minnesota. Department of Revenue. February 2004. Minnesota's Local Sales and Use Taxes: A report to the 2004 Minnesota Legislature. Page 2, Table 2.

By 2020, property taxes accounted for 90% of all local tax revenue and local sales and use accounted for nearly 6%.

Current Funding Mechanisms for Local Government

Changes in local tax policies, especially the proportions of property and sales taxes as well as the amount of local government aid, highlight the importance of striking the right balance to fund local projects, particularly in thinking about equitable taxation of residents in a given area. The next sections outline current funding mechanisms for local government in Minnesota.

Local Tax Revenue in Minnesota

Generally, Minnesota city and county governments have the following revenue sources to fund capital projects and services:

- Local property tax
- Local sales and use taxes (most require legislative authorization):
 - General
 - Transportation
 - Lodging
 - Food and beverage
 - Other special taxes

- State Government Aid
- Federal Government Aid
- Bonding

Note: The bonding process involves legislative agreement on capital projects to fund with the proceeds Minnesota receives from issuing bonds to investors. General Obligation (G.O.) bonds require use “for a public purpose, authorized in the constitution, specified in law, and mature in not more than 20 years” (Dyson, 2019, p. 2).

As cities and counties rely on local property taxes for revenue, this can cause increases in property tax to meet the needs of a community, especially as state aid changes. While both property taxes and sales taxes are regressive, the Revenue’s 2021 tax incidence study found sales taxes to be more regressive, due in part to property tax refunds. With a regressive tax, a person earning less income is paying a higher proportion of their income toward the tax than someone who earns more income.

In addition, sales taxes affect businesses and consumers differently depending on geography. In a presentation to the Task Force in September 2023, Revenue experts discussed how the price of products differs based on local sales tax rates. Using Revenue’s Sales Tax Calculator, researchers give examples using the cost of Post-It Notes and an iPhone by region (Table C2; Table C3).

Table C2. Cost of Post-It Notes by Region (January 2024)

Location	Price	State Tax	County Tax	City Tax	Other Tax	Metro Area Taxes**	Tax Amount	Total
Duluth	\$5.39	6.875%	0.50%	1.5%			\$0.48	\$5.87
Minneapolis	\$5.39	6.875%	0.15%	0.5%	0.5%*	1.0%	\$0.49	\$5.88
Anoka County	\$5.39	6.875%	0.25%	--	--	1.0%	\$0.44	\$5.83
Morris	\$5.39	6.875%	-	-	-	-	\$0.37	\$5.76

* Hennepin County transit tax

** Metro Area Sales Tax for Housing (0.25%) and Metro Area Transportation Sales Tax (0.75%)

Table C3. Cost of an iPhone by Region (January 2024)

Location	Price	State Tax	County Tax	City Tax	Other Tax	Metro Area Taxes**	Tax Amount	Total
Duluth	\$799.99	6.875%	0.50%	1.5%			\$71.00	\$870.99
Minneapolis	\$799.99	6.875%	0.15%	0.5%	0.5%*	1.0%	\$72.00	\$871.99
Anoka County	\$799.99	6.875%	0.25%	--	--	1.0%	\$65.00	\$864.99
Morris	\$799.99	6.875%	-	-	-	-	\$55.00	\$854.99

* Hennepin County transit tax

** Metro Area Sales Tax for Housing (0.25%) and Metro Area Transportation Sales Tax (0.75%)

Streamlined Sales Tax

Streamlined Sales Tax (SST) is a shared effort by state and local governments and the business community to simplify and modernize state sales and use tax administration. SST is designed to be a uniform system to reduce the burden of tax compliance and work for all sellers and all types of commerce.

The focus and goals are of SST are:

- **Simplification:** Creating a simpler system for administering the various state and local taxes
- **Uniformity:** At least make processes uniform if they cannot be made simple
- **Removing burdens:** Leverage the use of technology to ease the retailer’s tax collection and reporting
- **State sovereignty:** Balance the interests of a state’s sovereignty with the interests of simplicity and uniformity

Appendix D: Themes from Public Testimony and Comment

Public testimony and comment provided valuable context on local tax issues and is summarized here. These themes do not necessarily reflect the final decisions and recommendations of the Task Force.

Local Authority Over Tax Process

- Cities and counties should be allowed to authorize and impose sales taxes, based on shared definitions and criteria and voter referendum, to meet revenue needs for capital projects.
- Appropriate projects for a local sales tax should include municipality buildings, roads, bridges, operations for community facilities, public utility infrastructures, and more.
- End the legislative moratorium on local taxes.
- The Legislature should not be primarily involved in approving local funding.
- Due to escalating requests to the Legislature, paired with an increasing need of communities and residents, having a local tax system that affords greater accessibility, flexibility, and autonomy for local governments would be helpful.
- Sales taxes, although regressive, can be a workable solution to an imperfect tax structure, provided there is public input and clear limitations.
- Cities and counties need stable sources of revenue, among which include local taxes.
- Local general sales and use tax should be temporary, non-expandable, and non-renewable with a pause between requests.
- Local general sales and use taxes should be indexed to inflation.

Equalization Considerations

- Local Government Aid formula may need adjustment to be able to cover the needs of local governments more equally.
- Questions of regionality and equalization need to be resolved. Public input indicated a critique of regionality as criteria for all projects, particularly related to public safety.
- Examine local sales tax in the broader context. It should be part of a mixed system of funding. Consider newly proposed local sales taxes holistically stacked with all other taxes.

Burdens From Local Taxes

- Small business sales are increasingly multi-jurisdictional and need more support and resources as they play a key role in the collection of sales taxes. This support could be through vendor allowances or access to certified service providers.
- Taxes should be fair and simple, and sales taxes are not because they have different rates and exemptions, and therefore, burdensome to administer.
- Increasing taxes and sales taxes broadly create a high cost burden for individuals. Public comment and testimony suggested that the Legislature should evaluate increased state spending and reducing costs instead of continuing to raise taxes of all types.

Other Appendices

Letters from Task Force Members

January 26, 2024

Commissioner Marquart:

I sincerely thank you for appointing me as a public member of the Local Sales Tax Task Force. I appreciate the thoughtful, knowledgeable Task Force membership that provided me other points of view and insights on local taxes, as well as the skilled facilitation of Wilder Research and the depth of knowledge of the Department of Revenue staff.

As a Minnesota resident and taxpayer, I believe the recommendations the Task Force are providing to the Legislature will make an imperfect system better and fairer. The City I live in and work for, Moorhead, is a Border City recognized by the Minnesota Legislature as having disparate economic impacts due to its proximity to North Dakota, a state with very different tax policies than Minnesota. Sales tax is certainly a public policy that demonstrates Minnesota/North Dakota differences. No state legislative authorization is required to pursue a local sales tax in North Dakota, only voter approval.

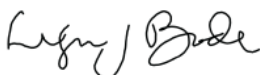
Fargo and West Fargo sales taxes fund many government services, including:

- Infrastructure
- Flood Control (71-year term)
- Economic Development (non-specific)
- Public Safety

Minnesota takes a much more conservative approach to sales taxes than North Dakota, yet Moorhead's retail base is much smaller than our adjacent ND border cities. The Fargo/Moorhead Metropolitan area is 250,000 people. Moorhead is growing but is less than 20% of the metro population.

Sales tax is a new tool for our city, and it is a funding mechanism our City Council pursued only after due consideration. The sales tax funds a Community Center/Library to replace a 60-year-old library facility that is in substandard condition. The process to gain legislative authorization was arduous, challenged by the pandemic in one year and failure to pass a tax bill in another. I am very hopeful that the Legislature will act on the Task Force's recommendations to simplify and standardize the local sales tax process for communities and residents across the state of Minnesota.

Sincerely,



Lisa J. Bode
Governmental Affairs Director
City of Moorhead

January 25, 2024

To: Commissioner Marquart, other members of the Local Sales tax Advisory Task Force, and member of the Legislature

From: Pat Dalton, public task force member

First, I would like to say what a pleasure it was working with the other members of this task force. Although we brought various perspectives to this topic, I believe we managed to make a number of useful recommendations to the legislature regarding the authorization of general local sales taxes in the future. I would also like to commend the facilitators from the Wilder Foundation, particularly Ananya Matewos, for keeping the group on task and moving forward.

Because of time restraints the taskforce focused on the general local sales taxes and spent little time on the other special taxes (lodging, food and beverage, and entertainment). Therefore, our recommendations on these taxes were rather limited. I would like to personally suggest two specific areas that the legislature should consider for future action:

- Adding a de minimis for imposition of local lodging taxes. With the rise of AirBnB and similar services a number of private persons renting out a room, or their cabin on an occasional basis are subject to these taxes but may not be collecting and remitting them. Local lodging taxes should have a de minimis, similar to the state general sales tax, to clarify that someone in the business of renting private property for several weeks a year is subject to the tax but someone who rents it to a friend for a long weekend is not.
- Defining the tax base for food and beverage and entertainment taxes. Although food and beverage, and entertainment taxes are imposed under special legislation, the actual activities that these taxes apply to is often set by individual city ordinance and may raise compliance issues. A standard tax base for these taxes should be developed. In particular entertainment taxes should be applied by facility type rather than by an occasional activity. I know one bar in Minneapolis who must charge the city entertainment tax for 2 hours per week when they hold their trivia night.

Finally, I want to state that I generally believe that local sales taxes are a poor way to finance local services. Income taxes and sales taxes are most efficiently and fairly collected at the state level rather than the local level. However public services are often delivered most efficiently at the local level. In an ideal world it makes more sense to have a higher state sales tax with a portion of revenues going to a more robust system of state aid to all local governments. However, given the political realities, ensuring that all local sales taxes be used exclusively for regional facilities that are accessible to both residents and nonresidents equally may be the best compromise. Although this report has suggested objective measures of regionality for a few selected capital projects the legislature needs to continue work on developing consistent measures of regionality.

January 25, 2024

To: Commissioner Marquart and Members of the Minnesota Legislature:

Thank you for the opportunity to submit a letter to accompany the Local Taxes Advisory Task Force Final Report.

The process the Local Taxes Advisory Task Force (Task Force) embarked on over the past five months was robust, thorough, and educational. I would like to thank The Wilder Foundation for its support, providing the Task Force with a clear framework and fostering thoughtful dialogue from an essential third-party perspective.

The word “tax,” in and of itself, can evoke a strong emotional reaction. As we know, different types of tax can have different impacts to a community, whether local, regional, or statewide. It is essential for anyone tasked with the work of governing, from either an elected or appointed officials’ perspective, to consider how to balance the needs of providing for any paying for the essential and demanded services to its residents, businesses and visitors. Considering the impact of all three tax types – property, sales and income – is key to finding the right solutions that best meet the needs of any community.

The Task Force’s Report provides many thoughtful recommendations for the Legislature to consider. The Report outlines a clear and transparent process by which a city or county can impose a local sales tax without requiring a special law. The recommendations identify and define specific projects of a regional nature that would allow a request to go directly to the voters and includes establishing a maximum local sales tax rate allowed for cities and counties.

The Task Force also held three different opportunities for public testimony. One item of particular importance that came out of the public testimony was in regards to the challenges businesses face with the collection and administration of sales taxes. Additional research is needed to identify ways to provide support to businesses in this regard, as described in the Report.

I respectfully ask the Tax Chairs to strongly advocate for the recommendations included in this Report during the 2024 Legislative session, and to lift the local sales tax moratorium for the 2025 Legislative session. The moratorium made sense when the Legislature was looking to modify the authorization process, but once the Legislature decides how to best do that, the moratorium will have served its purpose.

Lastly, I would like to express my gratitude to the members of the Task Force, who each provided their unique perspectives and shared ideas in a professional and reflective way. It was a pleasure working with you.

Sincerely,



Jenny Max, Nisswa City Administrator
& President, League of Minnesota Cities

Website to Local Advisory Task Force

<https://www.revenue.state.mn.us/local-taxes-advisory-task-force>



6B

CITY COUNCIL AGENDA DATE: April 1, 2024

TO: Proctor City Council

FROM: City Administrator, Jess Rich

SUBJECT: RESOLUTION NO. 17-24

OTHER:

RESOLUTION:

ORDINANCE:

REQUESTED ACTION:

Consider RESOLUTION NO. 17-24 A RESOLUTION ADOPTING TITLE AND BALLOT LANGUAGE PERTAINING TO A LOCAL OPTION SALES TAX AUTHORIZED BY THE MINNESOTA LEGISLATURE, TO BE SUBMITTED TO THE QUALIFIED VOTERS OF THE CITY OF PROCTOR AT THE GENERAL ELECTION ON NOVEMBER 5, 2024

BACKGROUND

State of Minnesota Legislature passed, and the Governor signed Minnesota Laws 2023, Regular Session, Chapter 64, Article 10, Section 42, which authorizes the City of Proctor to impose a .5% sales and use tax if approved by the voters. If the City Council approved Resolution 17-24, the City of Proctor will also need to decide on the ballot question language 90 days before the election. It is recommended to decide on the question as soon as possible in order to get the information out to the voters.

SOURCE OF FUNDS: NA

ATTACHMENT(S)

Resolution 17-24

Chad Ward
Mayor

City of Proctor

COUNCILORS
Jake P. Benson
Troy R. DeWall
Rory Johnson
James Rohweder

Jess Rich
City Administrator

You Have A Place in Proctor

100 Pionk Drive · Proctor, Minnesota 55810-1700 · 218-324-3641 · Fax 218-624-9459 · email: cityhall@proctormn.gov

RESOLUTION NO. 17-24
A RESOLUTION ADOPTING TITLE AND BALLOT LANGUAGE PERTAINING TO A
LOCAL OPTION SALES TAX AUTHORIZED BY THE MINNESOTA LEGISLATURE,
TO BE SUBMITTED TO THE QUALIFIED VOTERS OF THE CITY OF PROCTOR
AT THE GENERAL ELECTION ON NOVEMBER 5 2024

WHEREAS, the City Council of the City of Proctor is the official governing body of the City of Proctor, Minnesota (“City”); and

WHEREAS, Minnesota Statutes § 297A.99 provides the City with authority to impose a local sales tax if that tax is approved by a legislative special law and by the voters at a general election; and

WHEREAS, the City Council approved Resolution No. 04-22 directing designated staff to submit a proposal to the Minnesota Legislature to allow the City to propose a one-half of one percent (0.5%) local sales tax to pay the capital and associated interest and financing costs for the design and construction of a regional trail that would connect the City of Proctor trails to the Mungler and City of Hermantown trail systems; and

WHEREAS, during the 2023 regular session of the Minnesota Legislature, the Governor signed Minnesota Laws 2023, Chapter 64, Article 10, Section 42 (the “Legislation”) which authorizes the City to impose a sales and use tax of up to 0.5% (the “Tax”) to pay the costs of collecting and administering the tax and to finance up to \$6,900,000 plus associated bonding costs for construction of said trail; and

WHEREAS, the Tax expires at the earlier of (1) 20 years after the Tax is first imposed, or (2) when the City Council determines that the amount received from the Tax is sufficient to pay for the project costs authorized under subdivision 2 of the Legislation, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3 of the Legislation, including interest on the bonds; and

WHEREAS, the Legislation required local approval in accordance with Minnesota Statutes §645.021; and on April 15, 2024, the City Council adopted Resolution No. 16-24 approving the Legislation and directing the City Clerk to file the required Certificate; and

WHEREAS, any tax imposed pursuant to this Resolution and authorized by Minnesota Laws 2023, Chapter 64, Article 10, Section 42 must be approved by the voters of the City of Proctor by referendum pursuant to Minnesota Statutes § 297A.99, subd. 3(a); and

WHEREAS, the City Council considered ballot language to submit the questions to the qualified voters of the City of Proctor pursuant to Minnesota Statutes.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PROCTOR MINNESOTA, that based on the foregoing, the following Question shall be submitted to the qualified voters of the City of Proctor for adoption or rejection at the 2024 General Election to be held November 5, 2024, the title and language of the question shall be presented as follows:

SALES AND USE TAX FOR NEW TRAIL CONNECTING THE CITY OF PROCTOR TRAILS TO THE MUNGER TRAIL AND HERMANTOWN TRAILS

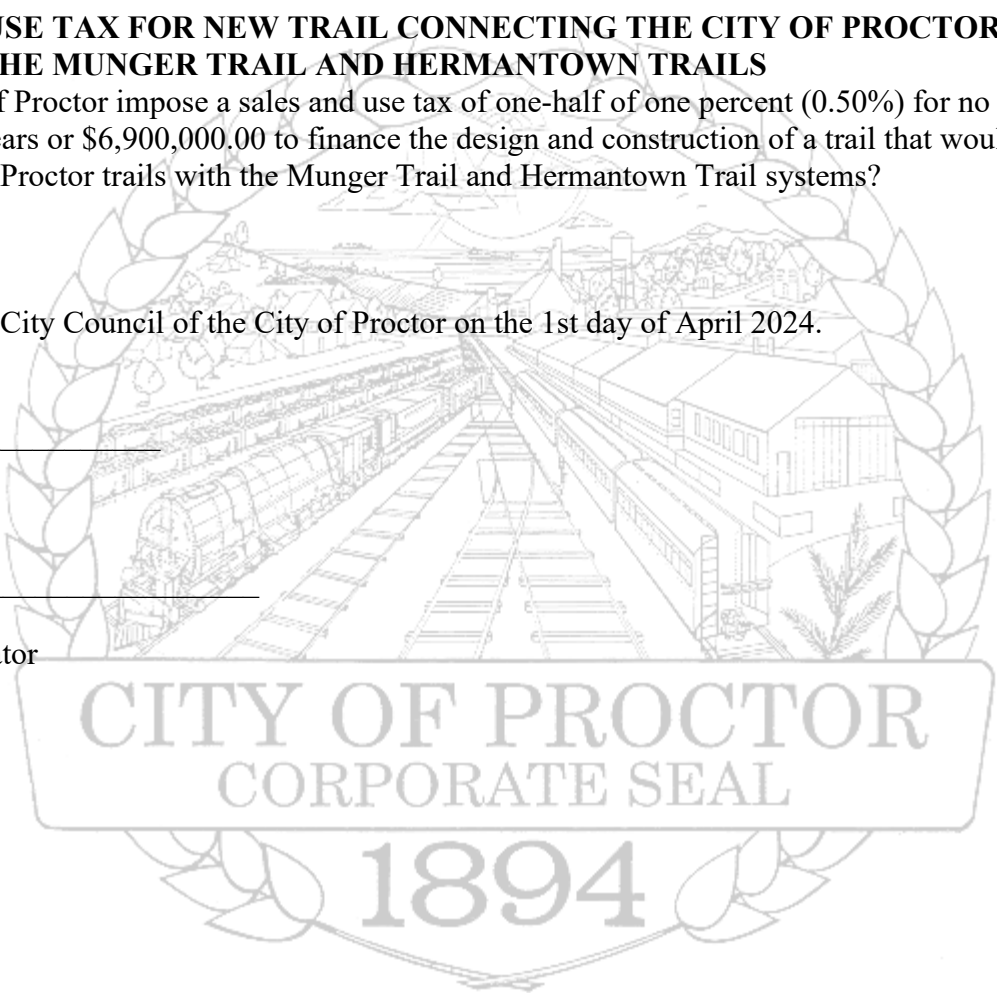
Shall the City of Proctor impose a sales and use tax of one-half of one percent (0.50%) for no more than 20 years or \$6,900,000.00 to finance the design and construction of a trail that would connect City of Proctor trails with the Munger Trail and Hermantown Trail systems?

- Yes
- No

Adopted by the City Council of the City of Proctor on the 1st day of April 2024.

BY: _____
Chad Ward
Mayor

ATTEST: _____
Jess Rich
City Administrator





6C

CITY COUNCIL AGENDA DATE: April 1, 2024

TO: Proctor City Council

FROM: City Administrator, Jess Rich

SUBJECT: Resolution 18-24 Surplus Equipment and Supplies

OTHER:

RESOLUTION:

ORDINANCE:

REQUESTED ACTION:

Approve Resolution 18-24 Declaration of Surplus Items

BACKGROUND

The City of Proctor once had an active cable TV production service called Trac 7. This service hasn't been active for several years. The extent of Trac 7 services has been limited to streaming city meetings. It is the opinion of staff, that if the City of Proctor were to fully resume Trac 7 services, it would be in the form of streaming rather than cable TV. The room known as the Trac 7 Room has Trac 7 equipment and supplies not useful for the City of Proctor's video streaming services. Ted Kiefat has reserved what might be needed for current and future streaming service needs. The purchase of the existing equipment was most likely authorized by the City of Proctor Cable TV Commission with cable TV funds. Without extensive research, it's hard to determine what was purchased by the Cable TV Committee. This request to declare the items surplus was not brought before the Cable TV Commission because according to City of Proctor Code, the Cable TV Commission's authority is to negotiate Cable TV rates. This is not to say the Cable TV Commission has historically taken on other roles throughout the years. Ted Kiefat is the Chair of Proctor Cable TV Committee.

SOURCE OF FUNDS: NA

ATTACHMENT(S)

Resolution 18-24 Surplus Equipment and Supplies, Exhibit A (photos), City Code 32.01.

RESOLUTION NO. 18-24
DECLARATION OF SURPLUS ITEMS

WHEREAS, the City of Proctor has an established broadcasting program, Trac 7, which requires the use of broadcasting equipment and supplies, and

WHEREAS, the City of Proctor Video Streaming Service provider Thumbman Productions, LLC has inspected and evaluated the equipment and supplies in the City of Proctor Trac 7 room and has determined what equipment is useful to the City of Proctor's current and future Trac 7 video services; and

WHEREAS Thumbman Production along with City Administration have determined the remaining items in the City of Proctor Trac 7 room are not useful the City of Proctor and its Trac 7 video productions; and

WHEREAS the Proctor High School RailsTV is a program designed to give students an opportunity to learn about and experiment with the tools and resources associated with TV and Music production.

NOW THEREFORE BE IT RESOLVED the City of Proctor City Council declares the items in the Trac 7 rooms as surplus; and

BE IT FURTHER RESOLVED the City of Proctor City Council wishes to donate any useful Trac 7 equipment and supplies to the Proctor High School RailsTV program; and

BE IT FURTHER RESOLVED Thumbman Productions, LLC and City Administrator Rich will supervise the donation of equipment and supplies to RailsTV; and

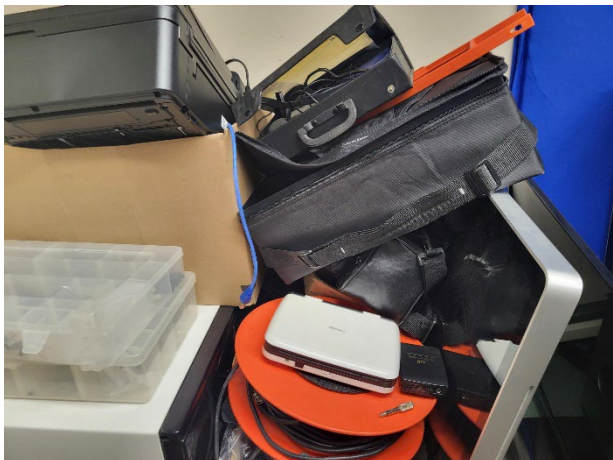
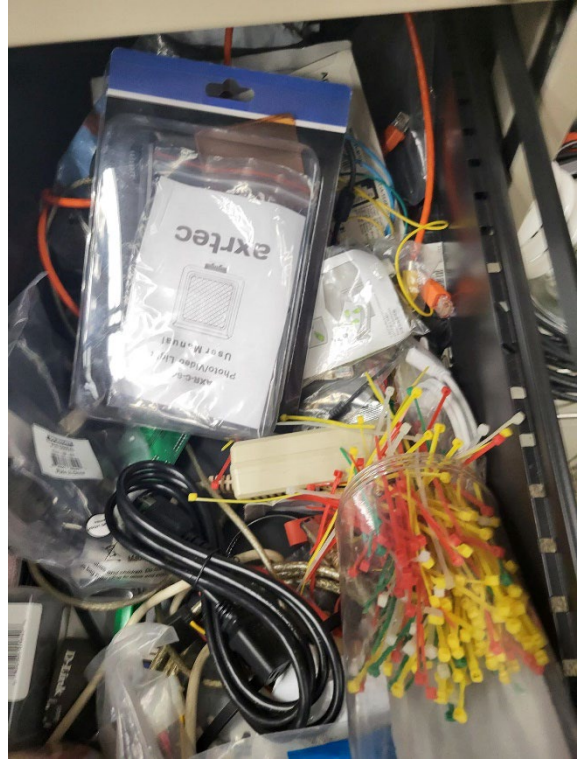
BE IT FURTHER RESOLVED City Administrator Rich will be see to the proper disposable of remaining equipment and supplies.

Declared and adopted this 1st day of April 2024.

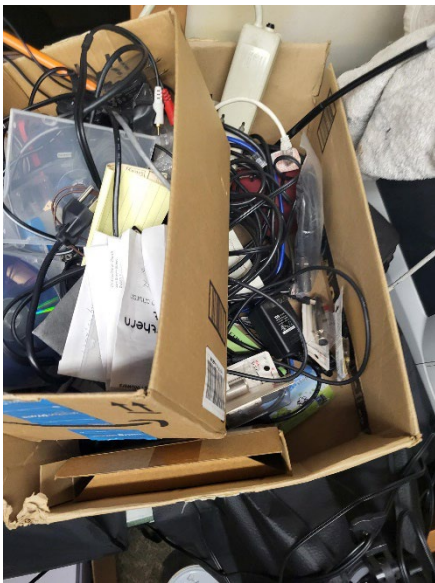
BY: _____
Chad Ward
Mayor

ATTEST: _____
Jess Rich
City Administrator

Resolution 18-24
Exhibit A (Page 1)



Resolution 18-24
Exhibit A (Page 2)



(3) All motions shall be stated in full before they are submitted to a vote by the presiding officer. They shall be recorded by title in the minutes by the Clerk-Treasurer.

(B) *Recording.* Every ordinance and resolution passed by the Council shall be signed by the Mayor and attested by the Clerk-Treasurer. Every ordinance shall be incorporated into the text or appendices of the code with the original passed version of the ordinance retained in an ordinance book in chronological order. Every resolution shall be filed in the resolution book.

(C) *Amendments and repeals.* Every ordinance or resolution repealing a previous ordinance or resolution or a section or subdivision thereof shall give the title of the ordinance or resolution to be repealed in whole or in part. No ordinance or resolution or section or subdivision thereof shall be amended by reference to title alone, but such an amending ordinance or resolution shall set forth in full each section or subdivision to be amended.

(Prior Code, § 201.06)

§ 31.07 AMENDMENT AND SUSPENSION OF RULES.

The rules for the conduct of Council meetings established by §§ 31.02 through 31.07 may be temporarily suspended by a majority vote of all Council members. Sections 31.01 through 31.07 shall not be repealed or amended except by majority vote of the whole Council after notice has been given at some preceding Council meeting.

(Prior Code, § 201.08)

CHAPTER 32: CITY ORGANIZATIONS

Section

General Provisions

- 32.01 Committees
- 32.02 Police Civil Service Commission

Fire Department

- 32.15 Established
- 32.16 Appointment
- 32.17 Fire Chief
- 32.18 Volunteer Fire Department attendance requirements

GENERAL PROVISIONS

§ 32.01 COMMITTEES.

(A) *Standing committees.*

(1) *Committees listed.*

(a) There shall be eight standing committees of the City Council, namely:

1. Streets;
2. Liquor Control;
3. Parks and Recreation;
4. Beautification and Trees;
5. Public Safety;
6. Cable Television;
7. Tourism; and
8. Trust Fund Board.

(b) Each of the committees except the Trust Fund Board, the Board being governed by the ordinance establishing the fund, and Liquor Control Board, shall consist of one Council member and two non-Council members (or more as the Council shall so decide), and the committee members shall be appointed by the Council at the first meeting of each year or upon vacancy or term expiration. Any subject considered by the committees shall be presented to the Council with their recommendations for the Council's consideration.

(c) The Liquor Control Board shall consist of two Council members and the Police Chief with the liquor store manager as an advisory member.

(2) *Regulation of cable television rates.* The City Council delegates to the Cable Television Committee the ability to review proposed basic cable television rates submitted by the cable franchise holder operating within the city and to recommend to the Council the regulation of the rate to be charged in accordance with all requisite statutes and rules. The city shall follow rules relating to cable rate regulation promulgated by the Federal Communications Commission in 47 C.F.R. subpart N.

(3) *Use of lodging tax proceeds.* Ten percent of the proceeds obtained from collection of lodging taxes shall be used in accordance with M.S. § 469.190, as it may be amended from time to time, to provide funding for the preservation, display and interpretation of tourist attractions, including, but not limited to, the mallet, caboose and jet fighter plane located within the city. The remaining balance of the proceeds obtained from the collection of taxes shall be used in accordance with M.S. § 469.190, as it may be amended from time to time, to provide funding to the Tourism Committee for the purpose of marketing and promoting the city.

(B) *Special committees.* The presiding officer of the Council at his or her discretion may refer certain problems falling outside of the jurisdiction of the aforementioned committees to special committees appointed by him or her and confirmed by the Council. The committees shall consist of at least one Council member. The reports of the special committees and their recommendations shall be forwarded to the full Council for their consideration.

(C) *Personnel committees.* There shall be established for the City Council and the City Public Utilities Commission two Personnel Committees which shall be standing committees of each body.

(1) *Council Personnel Committee.* The City Council shall, by majority vote of its members, select a member of the Council (to include the Mayor) to be the

FOR: City Council Agenda
FROM: City Councilor Jake Benson
DATE: March 27, 2024

TO: Mayor & City Council
Meeting Date: April 1, 2024

6D

SUBJECT: Municipal cannabis dispensary

REQUESTED ACTION

To discuss the possibility of establishing a municipal cannabis dispensary.

BACKGROUND

On Aug 1, 2023 Cannabis became legal for adults 21 and older to use and possess in Minnesota, making it the 23rd state in the country to legalize cannabis. It also allows for the sale. The state is not issuing licenses to operate dispensaries yet, some estimate licenses will not be available until early 2025. Local municipalities are allowed to temporarily restrict recreational marijuana sales until Jan. 1, 2025.

SUMMARY

The City of Proctor already has a municipal liquor store. We are well aware of how municipal business operations generate money for the city. At least 50 other Minnesota cities are looking at business plans to sell cannabis in their dispensary.

There are two goals:

- Diversify revenue.
- Sustaining the community character and safety.

This is why the city should explore the operation of a municipal dispensary to ensure that we protect the community's wellbeing and safety,

The state is not issuing licenses to operate dispensaries yet. However, The first dispensary selling marijuana for recreational use is now open and selling to people on the Red Lake Nation.

Non tribal Dispensaries can not open until the state figures out a licensing system for the businesses,— some estimate in early 2025.

Cities are allowed to temporarily restrict recreational marijuana sales until Jan. 1, 2025.

Local governments will also be able to limit the number of retail shops tied to their population. he law allows cities to limit the number of retailers to one for every 12,500 people in the city, with a minimum of one dispensary.

There are local zoning ordinances that will also apply. Some decisions about where pot can be used and sold are left to municipalities.

Cannabis like liquor has an age limit 21 or older.

Local tax is estimated at about 20%.

of alcohol by weight in sealed or closed receptacles or containers to be consumed off or away from the premises.

(Prior Code, § 701.01)

§ 120.002 LOCATION AND OPERATION.

(A) *Location.* The liquor store or stores shall be at a place or places as the Council shall determine by motion and may be either leased or owned by the municipality.

(B) *Operation.* The store or stores shall be in the charge of a person known as the “manager” who shall be selected by the Council and who shall be paid compensation as the Council shall determine. The manager shall have full charge of the operation of the store or stores and shall have authority to purchase supplies and merchandise as may be necessary and shall pay over to the Clerk-Treasurer, at regular intervals to be determined by the Council, all funds which shall come into his or her possession in the operation of the establishment. Additional help may be employed by the Council as may appear necessary at a rate of compensation under rules to be determined by the Council. All employees, including the manager, shall hold their positions at the pleasure of the Council. No minor person shall be employed in the liquor store or stores.

(Prior Code, § 701.02)

§ 120.003 DISPENSARY FUND.

A Liquor Dispensary Fund is hereby created into which all revenues received from the operation of the dispensary shall be paid; provided that the initial costs of rent, fixtures and stock may be paid for out of the General Fund of the municipality, but the amount shall be reimbursed to the General Fund out of the first moneys coming into the Liquor Fund not needed to carry on the business. Any surplus accumulating in this Fund may be transferred to the General Fund by resolution of the Council and expended for any municipal purpose.

(Prior Code, § 701.03)

§ 120.004 HOURS OF OPERATION.

(A) *General.* The municipal store or stores shall at all times observe the following on the hours of operation.

(B) *Intoxicating liquor; off-sale.*

(1) No sale of intoxicating liquor may be made by an off-sale licensee:

(a) On Sundays, except between the hours of 11:00 a.m. and 6:00 p.m.;

(b) Before 8:00 a.m. or after 10:00 p.m. on Monday through Saturday;

- (c) On Thanksgiving Day;
 - (d) On Christmas Day, December 25; and
 - (e) After 8:00 p.m. on Christmas Eve, December 24.
- (2) Sunday sale is permitted in accordance to M.S. § 340A.504, subd. 4, as it may be amended from time to time. These hours may be further limited by Council resolution.
(Prior Code, § 701.04) (Ord. 07-05, passed 6-6-2005; Ord. 04-17, passed 6-19-2017)
Penalty, see § 120.999

§ 120.005 REGULATION.

(A) *Gambling.* No person on the premises of the municipal liquor store shall keep, possess or operate on the premises or in any rooms adjoining or connecting therewith any slot machine, dice or any other gambling device or permit the same to be so kept. No gambling shall be permitted on the premises; nor shall any person of known immoral character or any disorderly person be permitted on the premises. Charitable or other regulated gambling, as allowed by state law and local ordinance, may be permitted.

(B) *Other business.* No other business than the sale of liquor and related items, as previously set forth in this chapter, shall be carried on by the store or by any person employed therein during the time so employed.

(C) *Intoxicated persons.* No liquor shall be sold to any person who is in an intoxicated condition.

(D) *Underaged persons.* No liquor shall be sold to any person under the age of 21 years.

(E) *Health inspection.* The premises occupied by the liquor store shall be duly inspected by the health officer of the county as required by law.

(F) *Loitering.* No person shall be permitted to loaf or loiter about the store habitually.

(G) *Oversight, operation and control.* The City Council shall review the operation, profitability and business of the municipal liquor store on at least a quarterly basis. Any adjustments in the store's operation or profitability made by the City Council shall be acted upon by the City Administrator and the manager of the liquor store.

(Prior Code, § 701.05) Penalty, see § 120.99

3.2% MALT LIQUOR

§ 120.020 DEFINITIONS.

(A) The provisions of M.S. Ch. 340A, as it may be amended from time to time, applicable to the sale of 3.2% malt liquor are adopted herein by reference.

(B) For the purpose of this subchapter, the following definitions shall apply unless the context clearly indicates or requires a different meaning.



Osseo City Council

AGENDA

WORK SESSION
Monday, January 22, 2024
6:00 p.m., Council Chambers

MAYOR DUANE POPPE COUNCILMEMBERS: JULIANA HULTSTROM, ASHLEE MUELLER, MARK SCHULZ, ALICIA VICKERMAN

1. **Call to Order**
2. **Roll Call** (quorum is 3)
3. **Approval of Agenda** (requires unanimous additions)
4. **Discussion Items**
 - A. **Discuss Updates to City Cannabis Sales**
5. **Adjournment**



City of Osseo City Council Work Session Meeting Item

Agenda Item: Discuss Updates to City Cannabis Sales

Meeting Date: January 22, 2024
Prepared by: Riley Grams, City Administrator

Attachments: Presentation
 MN Marijuana Association Information

Background:

Last year, the Osseo City Council created an ad hoc committee to explore and consider potential future municipal cannabis sales. The committee consists of Councilmembers Schulz and Hultstrom, as well as City Administrator Riley Grams. The committee has now met several times, and provides the following updates and information for the full Council consideration and direction:

1) Location

One main question is the location of the dispensary. Options include adding space into a potential future new City Hall and Public Safety building. There are pros and cons to this option. The dispensary would be located in the same building as the Osseo Police Department, creating a safer environment for transactions to take place for many would be customers. However, there may be a stigma who may be concerned about purchasing marijuana or other THC products if it's located next to a Police Department (despite being legal to purchase). The City could also identify another separate location off of the main City campus. Locations may include the former Osseo Press building (which the City is considering for purchase) or another, yet to be identified, location (perhaps either in the Central Business District or in the C-2 North or South commercial zones).

2) Physical Building

Obliviously, with a retail marijuana and THC sales environment, security and safety will be paramount. Some general building security measures to consider include:

- Vehicle bollards
- Fortified doors and windows
- Video cameras inside and outside of the building (often need two angles where individuals move product) – This includes entrances/exits as well as employee spaces where product and funds are handled
- Point of sale area that has video cameras
- License plate reading capabilities
- Secure and safe product/funds storage
- Safe vehicle port for transporting product and/or funds (such as a sally port) – Garage entrance for vehicle entrance, door closes, transactions take place in a secure d environment

- Alarm system
- Heightened access control (reception for viewing and recording personal information)
- Facial recognition capability in employee areas
- Separate spaces for entrance lobby, waiting area, point of sale/will call area, product and funds storage (safe or vault)

The ideal setup would be like a doctor's office. Upon entering the facility, there would be recorded information (such as identification) with video recording at the entrance. Patrons would then be allowed into the general sales area. This area would be limited to a certain number of people at any given time. A "Budtender" would be there to assist customers with questions on products and retrieve products from the back room. This would be a specialized employee who can help educate customers new to edibles or marijuana, and recommend products based on customer needs or wants. There would also be a separate point of sale space where the customers then pay for the products they are purchasing.

3) Employee Model

The City will need to create an entirely new Department for this operation. This would include a Department Head created and hired to oversee this Department and would report directly to the City Administrator. The City would also need to hire several employees for point of sale and customer services, and a dedicated Budtender. The City could need to create new position descriptions and publicly post for those openings. Another option would be to hire a front-end consultant to assist the City in this start up, someone who may specialize in cannabis management.

4) Application Process

Obviously, we are waiting on the State level Office of Cannabis Management (OCM) to hire their Director and proceed with the creation and set up for State issued licenses. The City will want to be ready the moment the OCM allows for license applications. While we are hopeful that the OCM will allow for municipal cannabis dispensaries, that is not yet a given. There are also some questions regarding whether or not a City will be required to apply for and obtain a cannabis dispensary license.

What we do know is that having a detailed business plan, as well as a detailed security plan, will be critical for the success of obtaining a license. The Cannabis Committee did meet with a local security expert (Sam Auset) to discuss the probable requirements when it comes to the security plan. This includes all necessary building and video recording security measures.

5) City Operations

The City should also consider selling other products outside of high potency THC items. This includes lower level THC products (such as gummies, drops, tinctures, seltzers, and other CBD products). Additionally, smoking paraphernalia and other retail items (such as shirts, hoodies, candles, and other trinkets) should be considered for sale as well. The State will have strict requirements when it comes to proper labeling, and most, if not all, of the products the City has for sale will already come with the proper labeling and documentation.

The City will also need to consider how to handle money and funds from the cannabis dispensary operation. Currently, cannabis use is not legal at the Federal level, and therefore we believe that Federally insured banks will not be able to accept, deposit and withdraw funds collected through cannabis sales. The City may need to open an account at a smaller local credit union. The City will also need to think about how we transfer funds. Most of the larger money transfer companies are Federally insured, and thus, most likely not able to transfer funds made through cannabis sales.

The State may (or may not) place restrictions on how cities can use revenue from the sales of cannabis. Once those determinations have been made, the City will need to consider it's options at that time.

Finally, the City has been highly encouraged to join the local Minnesota Marijuana Association as a contributing member. This organization is on the leading edge of cannabis usage and sales, and we will be able to collect a wealth of information from this membership. The Council will consider approving the City's membership of this group on the consent agenda on Monday night's meeting agenda. Additionally, there may be a good opportunity for members from the City (Council/Staff) to travel to Missouri to view and inspect similar type sales operations there. We have heard that the State is likely to model the MN operations similarly to Missouri. The Council should be aware that this would be a great educational opportunity and fact gathering mission.

6) Timeline

Grow licenses expected to be approved in October 2024. Product would then be available in April 2025 (6 month grow period). City should have application process ready to submit by mid-to-late 2024, or whenever the State will open up the dispensary license process.

Recommendation/Action Requested:

Staff recommends the City Council discuss the item and direct Staff accordingly.

An abstract graphic consisting of several thin, black, overlapping lines that form various geometric shapes and polygons, primarily located in the upper left and center of the page.

CITY OF OSSEO

MUNICIPAL CANNABIS OPERATIONS

Council Work Session – January 22, 2024



1) LOCATION

Dispensary Locations:

- Within a new City Hall/Public Safety building
- A separate location outside of City Hall (such as the Osseo Press building)
- Another location located within the Central Business District or C2 South/North commercial zones

Location next to City Hall/Police Department allows for safe customer sales, but there also may be a stigma about purchasing THC products next to a Police Department.



2) PHYSICAL BUILDING

Security and safety will be vital.

General building security measures include:

- Vehicle bollards
- Fortified doors and windows
- Video cameras inside and outside of the building (often need two angles for video), and at every entrance/exit of the building
- Point of sale area that has video cameras
- License plate reading capabilities
- Secure and safe product/storage
- Safe vehicle port for transporting product and/or funds (such as a sally port)
- Alarm system
- Access control (recording of customer information)
- Facial recognition capabilities
- Separate spaces for entrance lobby, waiting area, point of sale area, product and funds storage



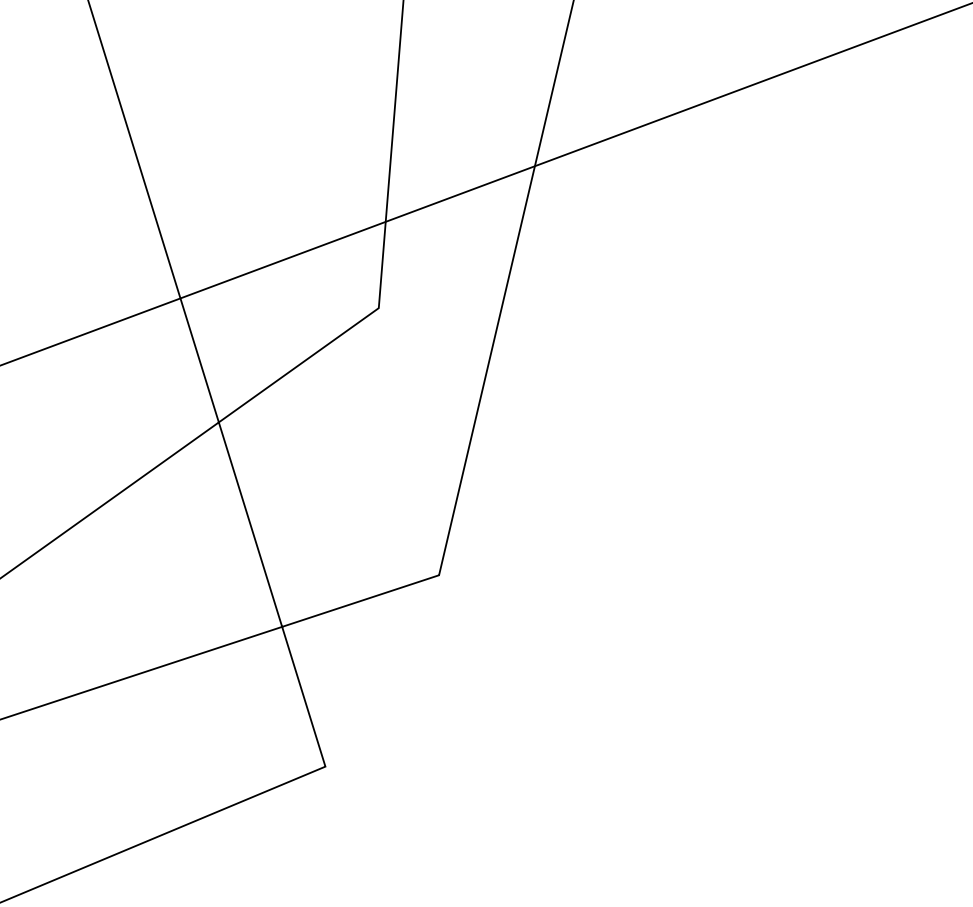
3) EMPLOYEE MODEL

City will need to create an entirely new Department for this operation.

This includes a Department Head and several employees. Department Head is supervised by the City Administrator.

Other employees include point of sale employees, and “Budtenders” (who assist customers with questions and recommendations).

City may also want to hire a front-end consultant to assist the City



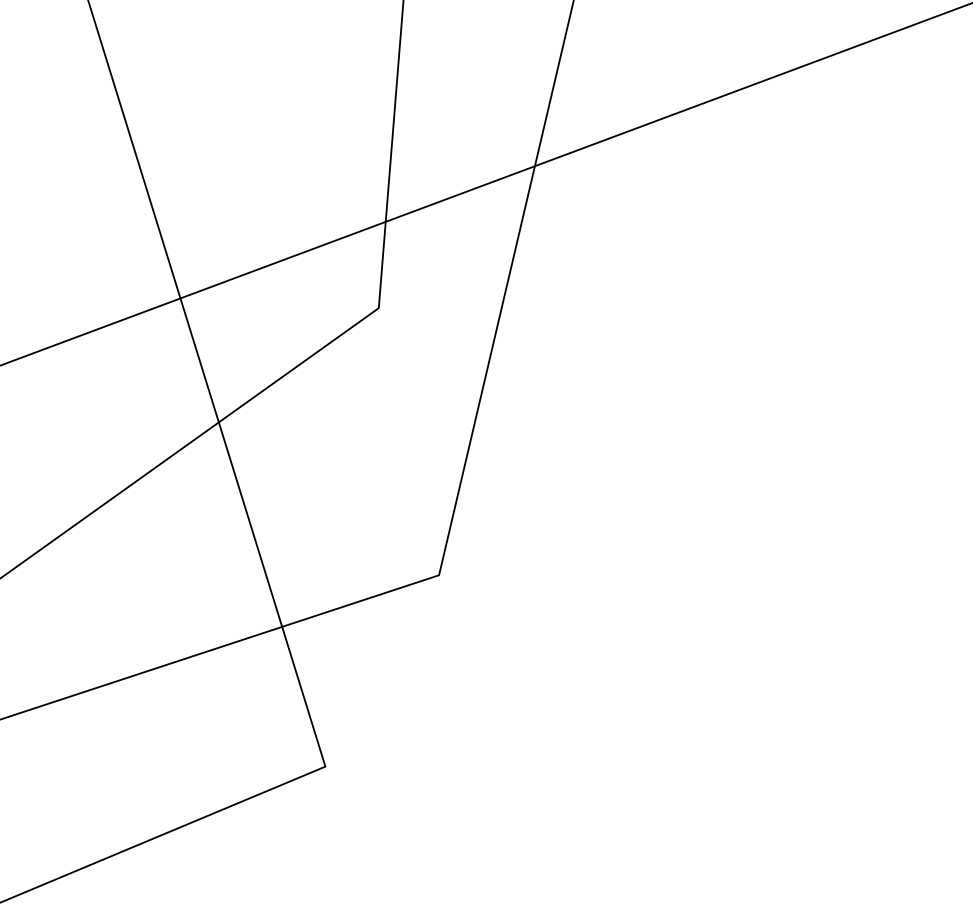
Waiting for the State to finalize the Office of Cannabis Management (OCM)

State will finalize the processes and requirements for all things cannabis, including municipal licenses

The City should be ready to go immediately upon opening for license applications

Will need a detailed business plan and security plan

4) APPLICATION PROCESS



5) CITY OPERATIONS

City should consider other products for sale, including the following:

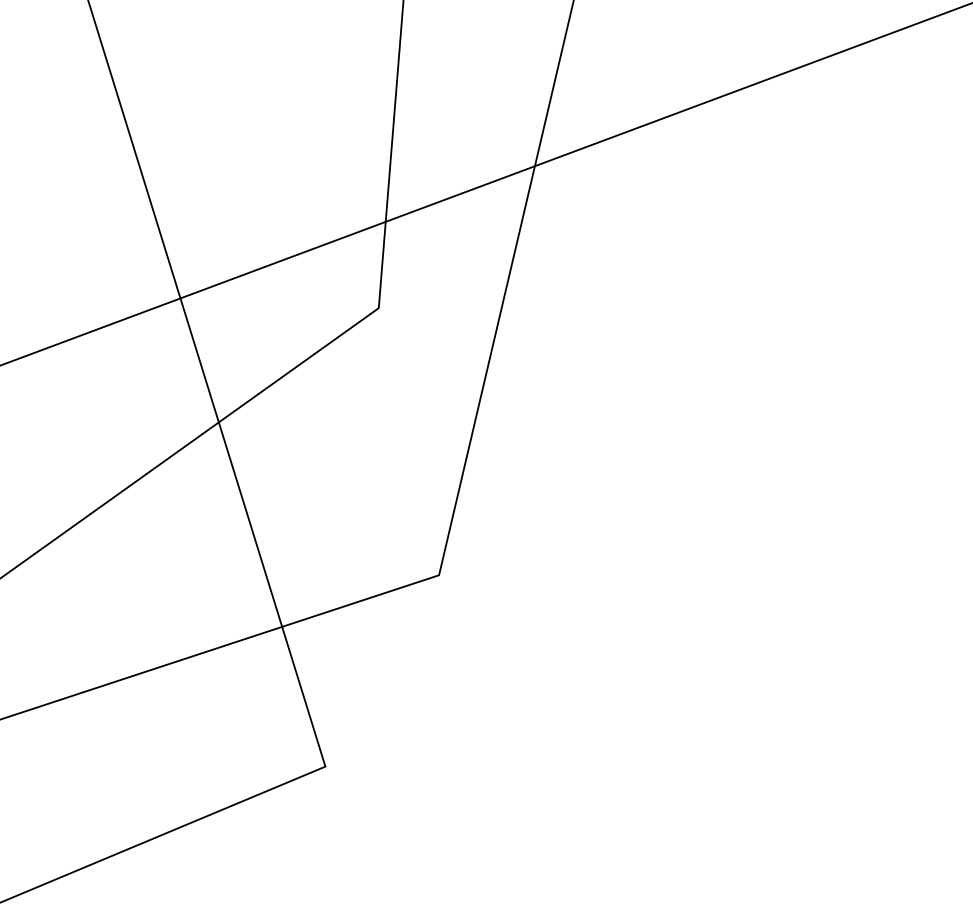
- Low potency THC products (gummies, drops, tinctures, seltzers and other CBD products)
- Smoking paraphernalia
- Other retail items (shirts, hoodies, candles, and other trinkets)

State will have strict labeling requirements for products and for-sale products should already be properly labeled before going on sale

City will need to determine how to move and deposit funds

Restrictions on how Cities can use cannabis revenue? State will determine

Encouraged to join the MN Marijuana Association (on Council consent agenda) and potentially a future trip to Missouri to examine similar operations



State Legislature to reconvene in February 2024

Expected to finalize cannabis sales rules and regulations, including the OCM

Grow licenses are expected to be available in October 2024

Product should be available around April 2025

City should have application ready for submission in mid-to-late 2024

5) TIMELINE



QUESTIONS OR COMMENTS

Minnesota Marijuana Association Membership

Uniting business leaders and professionals in a thriving, legal cannabis industry.

Partnering for growth

The association is dedicated to creating a successful, safe and reliable industry in Minnesota. But, we can't do it alone. That's where you come in.

As a member of the MMA, you'll receive support, education and guidance as we establish a safe, legal, responsible cannabis industry—including licensing, infrastructure, logistics, rules and regulations.

Founding Member

Ideal for: Individuals and businesses directly involved with Minnesota's legal marijuana industry.

Annual investment:
\$5,000

Sustaining Member

Ideal for: Companies and groups that are providing direct support through key products and services to the marijuana industry.

Annual investment:
\$3,000

Contributing Member

Ideal for: Professional services that specialize in and support the marijuana industry.

Annual investment:
\$1,500

Take action

contact@sotacann.org

Health for Life Crimson
AZ

Membership Form

Check membership option below:

Founding Member

Ideal for: Individuals and businesses directly involved with Minnesota's legal marijuana industry day-in and day-out.

Annual investment:
\$5,000

Credit card fee:
\$150

Sustaining Member

Ideal for: Groups that are providing direct support through key products and services to the marijuana industry.

Annual investment:
\$3,000

Credit card fee:
\$100

Contributing Member

Ideal for: Professional services that specialize in and support the marijuana industry.

Annual investment:
\$1,500

Credit card fee:
\$50

Contact Name:

Company:

Address:

City:

State:

ZIP:

Phone:

Email:

Last 4 credit card #

Checks Payable to MMA

515 N. Washington Ave #250 Mpls,
MN 55401

Finance Contact

Molly Ausetz
Treasurer
mausetz@sotacann.org

ORDINANCE NO. 01-24

ORDINANCE AMENDING SECTION §71.08 OF THE CITY CODE ENTITLED “WINTER PARKING REGULATIONS”

THE CITY COUNCIL OF THE CITY OF PROCTOR DOES ORDAIN AS FOLLOWS:

Section 1. City Code, Section §71.08, entitled “Winter Parking Regulations” is hereby amended as follows:

§ 71.08 WINTER PARKING REGULATIONS.

Between the period of November 15 and April 1 in each year, no person shall park or permit the same, any motor vehicle upon any street or alley within the city between the hours of 2:00 a.m. and 7:00 a.m. If the Chief of Police, in his or her discretion, or any police officer acting under the authority of the Chief of Police, determines that weather conditions allow for on street parking, the Chief of Police or police officer acting under the authority of the Chief of Police may direct the winter parking regulations be suspended for a certain period. If the Chief of Police, in his or her discretion, or any police officer acting under the authority of the Chief of Police, determines that any vehicle parked contrary to the provisions of this section is thereby hindering the removal of snow, the Chief of Police or police officer acting under the authority of the Chief of Police may direct to have the vehicle removed from the street or alley by removal. The owner of the vehicle shall be responsible for any costs accrued as a result of the removal in addition to any fines imposed as a result of a violation of this section.

Section 2. All other provisions shall remain in full force and effect without modification. or amendment.

Section 3. This Ordinance shall be in full force and effect from and after its passage and publication according to law.

Adopted by a majority vote of the City Council of the City of Proctor this 15th day of April 2024.

BY: _____
Chad Ward, Mayor

ATTEST: _____
Jess Rich, City Administrator

First Reading: April 1, 2024
Second Reading: _____
Published Proctor Journal: _____

General Bills

Report Criteria:

Detail report.
 Invoices with totals above \$0.00 included.
 Paid and unpaid invoices included.
 Invoice Detail.GL account (3 Characters) = {<->}"600"
 Vendor.Vendor type = {<->} "PR"
 [Report].Date Paid = 04/01/2024

Invoice Number	Description	Invoice Date	Net Invoice Amount	GL Account and Title
A-1 FENCE COMPANY				
252	PLAYGROUND FENCE	03/18/2024	1,830.04	300-30-330-3015 Contractor
Total A-1 FENCE COMPANY:			1,830.04	
ACME TOOLS				
12555352	POSITIVE PRESSURE FAN BATTERIES	03/22/2024	398.00	100-20-220-2240 Small Tools and Equip
Total ACME TOOLS:			398.00	
CINTAS				
5203224559	FIRST AID SUPPLIES	03/21/2024	26.33	100-30-300-2214 Safety Items
Total CINTAS:			26.33	
COMO LUBE				
490760	HYDRAULIC FLUID	03/25/2024	275.80	100-30-300-2212 Fuels & Lubricants
Total COMO LUBE:			275.80	
CONSOLIDATED COMMUNICATIONS				
03012024	MONTHLY TELEPHONE	03/21/2024	447.90	100-10-120-3021 Telephone
Total CONSOLIDATED COMMUNICATIONS:			447.90	
COONS AGGREGATE				
3363	RECYCLED ASPHALT FOR TRAIL	02/29/2024	2,325.31	100-30-300-3015 Contractor
Total COONS AGGREGATE:			2,325.31	
EARL F. ANDERSEN INC				
0135657	SIGNS AND POSTS FOR 2024 SIGN PLAN	03/20/2024	3,238.80	100-30-300-2210 Operating Supplies
Total EARL F. ANDERSEN INC:			3,238.80	
ELAN CORPORATE PAYMENT SYSTEMS				
26133802	RICK - SAFETY BOOTS 2024	03/19/2024	185.00	100-30-300-2217 Clothing
Total ELAN CORPORATE PAYMENT SYSTEMS:			185.00	
GREAT AMERICA FINANCIAL SERVICE				
36220222	AGREEMENT 007-1813067-000 - BIZHUB C360I COPIER	03/26/2024	172.58	100-20-210-4400 Repairs & Maintenanc
36220223	AGREEMENT 009-1813070-000 - BIZHUB C360I COPIER	03/26/2024	172.58	100-10-120-4400 Repairs & Maintenanc
Total GREAT AMERICA FINANCIAL SERVICE:			345.16	
HARTELS/DBJ DISPOSAL COMPANY				
1044299	TRASH REMOVAL SERVICES - CITY OF PROCTOR	03/25/2024	367.89	100-10-130-3084 Refuse Disposal
1044299	REFUSE DISPOSAL - STREET DEPT TRASH PICKUP	03/25/2024	201.63	100-30-300-3084 Refuse Disposal

Invoice Number	Description	Invoice Date	Net Invoice Amount	GL Account and Title
1044299	FIRE DEPT TRASH & RECYCLE SERVICES	03/25/2024	84.94	100-20-220-3084 Refuse Disposal
Total HARTELS/DBJ DISPOSAL COMPANY:			654.46	
INTERSTATE BATTERIES				
190620102339	2 BATTERIES DODGE 3500 AND JUMP STARTER	03/20/2024	676.10	100-30-300-2220 Supplies - Repair & M
Total INTERSTATE BATTERIES :			676.10	
KLATTE GOLF MANAGEMENT LLC				
03012024	GOLF MANAGEMENT - INSTALLMENT #1 - 2024	03/26/2024	7,500.00	550-55-550-3000 Professional Services
Total KLATTE GOLF MANAGEMENT LLC:			7,500.00	
LAKE SUPERIOR PUBLISHING				
17411	APRIL MAY AD 2024	03/22/2024	1,510.00	100-15-115-3040 Advertising
Total LAKE SUPERIOR PUBLISHING:			1,510.00	
LEAGUE OF MINNESOTA CITIES				
401764	LMCIT/MMUA REGIONAL SAFETY GROUPS TRAINING	03/12/2024	1,113.75	100-30-300-3000 Professional Services
Total LEAGUE OF MINNESOTA CITIES :			1,113.75	
MAYO CLINIC AMBULANCE SERVICE				
1519062	LEEDOM EMT RECERT	03/18/2024	427.00	100-20-250-3035 Training Expense
Total MAYO CLINIC AMBULANCE SERVICE:			427.00	
MEDIACOM				
3.7.24.6263	MEDIACOM STREET GARAGE	03/07/2024	150.00	100-30-300-3021 Telephone
3-8-24FD	TELEPHONE & INTERNET	03/08/2024	199.00	100-20-220-3021 Telephone
Total MEDIACOM:			349.00	
MENARDS - WEST DULUTH				
93568	123 BATTERIES	02/07/2024	45.98	100-20-220-2214 Safety Items
Total MENARDS - WEST DULUTH:			45.98	
MINNESOTA ENERGY RESOURCES				
4951908017	0504812808-00001 GAS UTILITY FIRE HALL	03/14/2024	26.27	100-20-220-3080 Utilities
4951962444	052214174-00001 GAS BILL STREET GARAGE	03/14/2024	688.86	100-30-300-3080 Utilities
4952376707	0503508588-00001 CITY HALL	03/14/2024	1,048.15	100-10-130-3080 Utilities
Total MINNESOTA ENERGY RESOURCES:			1,763.28	
MN DEPT OF LABOR & INDUSTRY				
DECEMBER13	BUILDING PERMIT SURCHARGE	03/19/2024	105.00	100-10-180-4442 State Bldg Permit Sur
JUNE1373852	BUILDING PERMIT SURCHARGE	03/19/2024	65.00	100-10-180-4442 State Bldg Permit Sur
SEPTEMBER1	BUILDING PERMIT SURCHARGE	03/19/2024	203.50	100-10-180-4442 State Bldg Permit Sur
Total MN DEPT OF LABOR & INDUSTRY:			373.50	
MN DEPT OF NATURAL RESOURCES				
3502596	DNR GRANT - WATER MOVEMENT ITEMS	03/20/2024	3,161.92	850-20-220-2240 Small Tools and Equip

Invoice Number	Description	Invoice Date	Net Invoice Amount	GL Account and Title
Total MN DEPT OF NATURAL RESOURCES :			3,161.92	
NORTHEAST LAW ENFORCEMENT				
031824	2024 NLEAC MEMBERSHIP RENEWAL	03/19/2024	75.00	100-20-210-4433 Dues & Subscriptions
Total NORTHEAST LAW ENFORCEMENT :			75.00	
NORTHERN ENGINE & SUPPLY INC				
156534	LED LIGHTS FOR GRADER	12/19/2023	544.50	100-30-300-2220 Supplies - Repair & M
157030	HYDRAULIC FITTINGS	01/15/2024	139.42	100-30-300-2220 Supplies - Repair & M
158745	HYDRAULIC HOSE AND ASSEMBLY FOR PLOW TRUCK	03/26/2024	103.22	100-30-300-2220 Supplies - Repair & M
Total NORTHERN ENGINE & SUPPLY INC:			787.14	
NORTHSPAN GROUP INC				
1703	ECONOMIC IMPACT STUDY	02/29/2024	92.50	830-80-800-3000 Professional Services
Total NORTHSPAN GROUP INC:			92.50	
POMPS TIRE SEREVICE INC				
2310003506	T4 VALVE STEM REPLACEMENTS	03/23/2024	369.99	100-20-220-2220 Supplies - Repair & M
530129793	TIRE REPLACEMENT ON MACK DUMP TRUCK	03/14/2024	1,016.50	100-30-300-2220 Supplies - Repair & M
Total POMPS TIRE SEREVICE INC:			1,386.49	
PROCTOR JOURNAL				
38391	CITY COUNCIL MINUTES 2.5.24	03/21/2024	321.71	100-10-110-3052 General Notices & Pub
Total PROCTOR JOURNAL:			321.71	
RASMUSSEN CLEANING SERVICE LLC				
001385	CLEANING SERVICES	03/15/2024	3,575.00	100-10-130-3000 Professional Services
Total RASMUSSEN CLEANING SERVICE LLC:			3,575.00	
SEH				
463909	166073 2022-2024 CITY ENGINEERING	03/19/2024	7,314.86	100-10-110-3003 Engineering Fees
Total SEH:			7,314.86	
SO ST LOUIS CO FAIR ASSN				
1024	2024 SPONSORSHIP	03/29/2024	8,000.00	100-15-115-3040 Advertising
Total SO ST LOUIS CO FAIR ASSN:			8,000.00	
TRUE NORTH FLAG & FLAGPOLES				
20233	AMERICAN FLAG	03/21/2024	1,050.00	100-20-220-2210 Operating Supplies
Total TRUE NORTH FLAG & FLAGPOLES:			1,050.00	
TWIN PORTS PAPER & SUPPLY, INC				
590063	GARBAGE LINERS	03/18/2024	152.24	100-10-130-2211 Cleaning Supplies
590063	PAPER SUPPLIES	03/18/2024	106.83	100-10-130-2211 Cleaning Supplies
Total TWIN PORTS PAPER & SUPPLY, INC:			259.07	

Invoice Number	Description	Invoice Date	Net Invoice Amount	GL Account and Title
Grand Totals:			<u>49,509.10</u>	

Report Criteria:

Detail report.

Invoices with totals above \$0.00 included.

Paid and unpaid invoices included.

Invoice Detail.GL account (3 Characters) = {<>} "600"

Vendor.Vendor type = {<>} "PR"

[Report].Date Paid = 04/01/2024

Liquor Bills

Report Criteria:

- Detail report.
- Invoices with totals above \$0.00 included.
- Paid and unpaid invoices included.
- Invoice Detail.GL account (3 Characters) = "600"
- [Report].Date Paid = 04/01/2024

Invoice Number	Description	Invoice Date	Net Invoice Amount	GL Account and Title
AMERICAN BOTTLING COMPANY				
4616902520	SODA	03/25/2024	168.43	600-60-600-2254 Soft Drinks & Mix
Total AMERICAN BOTTLING COMPANY :			168.43	
ARTISAN BEER COMPANY				
3667177	THC	03/15/2024	327.50	600-60-600-2255 THC Products
Total ARTISAN BEER COMPANY:			327.50	
BERNICKS PEPSI				
30086520	THC	03/20/2024	254.00	600-60-600-2255 THC Products
30086521	BEER	03/20/2024	5,508.00	600-60-600-2252 Beer Purchases
30086522	BEER	03/20/2024	12.00	600-60-600-2252 Beer Purchases
30086980	BEER	03/21/2024	236.80	600-60-600-2252 Beer Purchases
30087595	THC	03/27/2024	90.00	600-60-600-2255 THC Products
30087596	BEER	03/27/2024	5,259.00	600-60-600-2252 Beer Purchases
Total BERNICKS PEPSI:			10,862.20	
BREAKTHRU BEVERAGE				
114933219	SERVICE FEE	03/21/2024	12.49	600-60-600-3033 Freight & Express
114933219	LIQUOR	03/21/2024	793.46	600-60-600-2251 Liquor Purchases
115010090	SERVICE FEE	03/27/2024	9.40	600-60-600-3033 Freight & Express
115010090	LIQUOR	03/27/2024	547.90	600-60-600-2251 Liquor Purchases
412079155	LIQUOR	03/22/2024	114.00	600-60-600-2251 Liquor Purchases
Total BREAKTHRU BEVERAGE:			1,249.25	
C&L DISTRIBUTING				
1871249	SHIPPING	03/19/2024	3.00	600-60-600-3033 Freight & Express
1871249	BEER	03/19/2024	7,162.50	600-60-600-2252 Beer Purchases
1871257	BEER	03/19/2024	223.20	600-60-600-2252 Beer Purchases
1873374	THC	03/22/2024	745.25	600-60-600-2255 THC Products
1874648	BEER	03/26/2024	1,845.95	600-60-600-2252 Beer Purchases
1874648	SHIPPING	03/26/2024	3.00	600-60-600-3033 Freight & Express
2752000229	BEER	03/19/2024	14.98	600-60-600-2252 Beer Purchases
Total C&L DISTRIBUTING:			9,967.92	
CINTAS				
4187308560	MATS	03/25/2024	180.86	600-60-600-2210 Operating Supplies
Total CINTAS:			180.86	
DAHLHEIMER BEVERAGE				
2142643	BEER	03/21/2024	268.05	600-60-600-2252 Beer Purchases
Total DAHLHEIMER BEVERAGE:			268.05	

Invoice Number	Description	Invoice Date	Net Invoice Amount	GL Account and Title
HARTELS/DBJ DISPOSAL COMPANY				
1044299	MOUNTAIN SPIRITS LIQUOR	03/25/2024	204.74	600-60-600-3084 Refuse Disposal
Total HARTELS/DBJ DISPOSAL COMPANY:			204.74	
JOHNSON BROTHERS INC				
2502002	DELIVERY CHARGE	03/15/2024	16.98	600-60-600-3033 Freight & Express
2502002	LIQUOR	03/15/2024	871.54	600-60-600-2251 Liquor Purchases
2504081	DELIVERY CHARGE	03/20/2024	13.08	600-60-600-3033 Freight & Express
2504081	LIQUOR	03/20/2024	380.40	600-60-600-2251 Liquor Purchases
2504082	DELIVERY CHARGE	03/29/2024	9.27	600-60-600-3033 Freight & Express
2504082	LIQUOR	03/29/2024	268.65	600-60-600-2251 Liquor Purchases
2506190	DELIVERY CHARGE	03/22/2024	17.00	600-60-600-3033 Freight & Express
2506190	LIQUOR	03/22/2024	883.50	600-60-600-2251 Liquor Purchases
289030	DELIVERY CHARGE	03/07/2024	2.18	600-60-600-3033 Freight & Express
289030	LIQUOR	03/07/2024	131.00	600-60-600-2251 Liquor Purchases
Total JOHNSON BROTHERS INC:			2,327.24	
MICHAUD DISTRIBUTING COMPANY				
385729	FUEL SURCHARGE	03/18/2024	3.00	600-60-600-3033 Freight & Express
385729	BEER	03/18/2024	888.95	600-60-600-2252 Beer Purchases
385904	BEER	03/25/2024	310.00	600-60-600-2252 Beer Purchases
Total MICHAUD DISTRIBUTING COMPANY:			1,201.95	
MINNESOTA ENERGY RESOURCES				
4949567141	0502591202-00001 MOUNTAIN SPIRITS GAS SERVICE	03/12/2024	146.56	600-60-600-3080 Utilities
Total MINNESOTA ENERGY RESOURCES:			146.56	
PHILLIPS WINE & SPIRITS CO.				
6754746	DELIVERY CHARGE	03/20/2024	.77	600-60-600-3033 Freight & Express
6754746	LIQUOR	03/20/2024	56.06	600-60-600-2251 Liquor Purchases
6754747	DELIVERY	03/20/2024	3.27	600-60-600-3033 Freight & Express
6754747	WINE	03/20/2024	104.00	600-60-600-2253 Wine Purchases
Total PHILLIPS WINE & SPIRITS CO.:			164.10	
PROCTOR JOURNAL				
38392	MT SPIRITS STATEMENT	03/21/2024	147.00	600-60-600-3052 General Notices & Pu
Total PROCTOR JOURNAL:			147.00	
SOUTHERN WINE & SPIRITS				
2456944	DELIVERY	03/15/2024	16.22	600-60-600-3033 Freight & Express
2456944	LIQUOR	03/15/2024	969.66	600-60-600-2251 Liquor Purchases
2459624	DELIVERY	03/22/2024	31.25	600-60-600-3033 Freight & Express
2459624	LIQUOR	03/22/2024	1,231.11	600-60-600-2251 Liquor Purchases
Total SOUTHERN WINE & SPIRITS:			2,248.24	
TEAMSTERS JC 32				
3-24C-HRA	HRA - 3/24	03/19/2024	240.00	600-60-600-1131 Employer Paid Health
Total TEAMSTERS JC 32:			240.00	

Invoice Number	Description	Invoice Date	Net Invoice Amount	GL Account and Title
URSA MINOR BREWING				
e-6014	BEER	03/15/2024	156.20	600-60-600-2252 Beer Purchases
Total URSA MINOR BREWING:			156.20	
Grand Totals:			29,860.24	

Report Criteria:

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 - Paid and unpaid invoices included.
 - Invoice Detail.GL account (3 Characters) = "600"
 - [Report].Date Paid = 04/01/2024
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