



GREATER MINNESOTA *Advocate*

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CGMC Surveys Cities on LGA, Budgets, and Tax Levies

Over the last several weeks CGMC has been asking our cities about the state of their budgets, the impact of LGA on their communities, their levies, and how they weathered the last 10 years and the Great Recession.

Question topics ranged from the spending reductions over the past 10 years and plans for community reinvestment in 2014 to how cities understand the sales tax exemption for local governments. While the survey is by no means scientific, the results do offer some good insight into what is happening in communities across the state.

Cities Grateful for Sales Tax Exemption though Budget Impact Remains Unclear

One item that has not gotten much attention is the exemption of local governments from most sales tax purchases. To help close a budget deficit during the 1990s, local units of government were compelled to pay state sales taxes. Eliminating this government to government tax has been a goal of local governments and legislators on a bi-partisan basis ever since. This goal was finally accomplished during the 2013 session and went into effect on Jan. 1.

Preliminary findings of the survey of CGMC cities found that about two-thirds of respondents accounted for the savings in their city budgets, while the other third did not. In many cases, especially in smaller cities, city officials indicated that it would be difficult to determine exactly how much money would be saved as a result of the exemption. Many city officials are left to simply make their “best guess” (to use the words of one city manager) about the amount of the savings. It is likely that session estimates of the savings are higher than what local governments will actually experience. Whatever the actual dollar amounts, relieving local governments of the burden of paying sales taxes to the state will benefit property tax payers across the state and was the right policy decision.

Stories from the Frontline: Waseca – Lowering Levy, Rebuilding Streets

In 2014, the city of Waseca is seeing an LGA increase of \$357,505, resulting in a reduction of their levy from 2013. According to Mayor Roy Srp, Waseca’s 2014 levy will be its lowest in six years. A Dec. 1, 2013 Mankato Free Press article reported that a home valued at \$152,500 will see its city portion of its tax bill reduced by \$41 from 2013. All of this is good news for homeowners in Waseca.

Also good news is the level of reinvestment Waseca is making in its transportation infrastructure. Like many cities, Waseca deferred much needed maintenance on local streets over the last 10 years. In fact, of the respondents to our survey, streets were the most cited item for budget reductions over that time period. Unsurprisingly, streets are the most common item for catch-up now that city budgets are stabilizing.

Because of increased LGA and a stabilized budget situation, Waseca is able to invest \$1.1 million in much-needed street repairs. In addition, the city is investing in \$104,000 in lighting improvements on Highway 13 South. All of these improvements will make Waseca a safer and better community to raise a family and do business.

CGMC Legislative Action Day & Reception is March 5

CGMC members from across the state will gather in St. Paul for legislative briefings and meetings with legislators on Wednesday, March 5.

ALL legislators (yes, even those from the metro!) are invited to join CGMC members for a reception and dinner at Mancini’s that evening. The reception starts at 5:30 p.m. with dinner served at 6:30 p.m. Cost for dinner at Mancini’s is \$26. If you are interested in attending, please RSVP to Colleen Millard at 651-225-8840 or at rsvp@flaherty-hood.com. We look forward to seeing you there!

The Coalition of Greater Minnesota Cities
525 Park St., Suite 470
St. Paul, MN 55103
cgmcinfo@flaherty-hood.com

