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# CITY OF MINNETONKA LOCAL OPTION SALES TAX DISCUSSION



JANUARY 23, 2023

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## TONIGHT'S PURPOSE

- First discussion on this topic – staff is looking for a general reaction
- Financial planning
- Implementing a local option sales tax can take up to 2.5 years
- Discussion question: Does the city council have any concerns with continuing to the next steps?

## ANTICIPATED FUTURE CAPITAL IMPROVEMENT EXPENSES

- Opus park\* - unfunded, estimated \$15M
- Opus police/fire substation – unknown, unfunded
- The Marsh – unknown, unfunded
- Hopkins trail project\* - partially unfunded, estimated \$6.82M
- Community Center – recent bid \$2.2M
- Natural resource restoration projects - CIP
- Other trail projects - \$80M, franchise fees, park dedication, tax levy

\*State bonding dollars are also being pursued.

# OPUS

Central Plaza Rendering



Amphitheater Rendering



- Bike Share
  - Linear Plaza
  - Interactive Art/Play
  - Splash Pad
  - Building
  - Dog Park
  - Great Lawn
  - Amphitheater
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- 2022-2023 Detailed design, property acquisition and bidding. (\$725,000 Request)
  - 2024-2025 Construction of central plaza and improvement of open spaces. (\$3 M)
  - Total project - \$15 M

# HOPKINS CROSSROAD TRAIL PROJECT

- 1.2 miles of new trail
- High priority
  - Critical safety improvement
  - Major multi-use transit corridor
  - Alternative transit access to 3 schools and 3 religious institutions
- Environmental Improvements
  - Stormwater drainage and sediment capture
  - Increased stormwater treatment

Funding Sources	Amount
Met Council Regional Solicitation	\$2,300,000
Electric Franchise Fees Fund (City)	\$1,250,000
Trail System Expansion Fund (City)	\$1,635,000
<b>State Funding Request</b>	<b>\$1,635,000</b>
Total	\$6,820,000



# WILLISTON, MARSH, COMMUNITY CENTER



# FINANCIAL MANAGEMENT PLANNING

	2021	2022	2023	2024	2025	2026	2027
	Actual	Budget	Proposed	FORE	FORE	FORE	FORE
<b>General Fund</b>							
<b>Total GF Rev</b>	44,620,266	45,608,800	46,654,000	48,450,400	50,047,900	51,698,100	53,402,800
<b>Total GF Exp</b>	39,016,753	43,785,135	46,904,000	48,450,400	50,047,900	51,698,100	53,402,800
Rev over Exp	5,603,513	1,823,665	(250,000)	-	-	-	-
<b>CIP Levy Funds</b>							
Capital Replacement Fd	806,000	1,517,100	1,385,000	1,630,000	1,905,000	2,080,000	2,155,000
Forestry Fund	118,000	133,000	83,000	98,000	123,000	225,000	262,000
Public Safety Fd	550,000	550,000	550,000	625,000	700,000	800,000	800,000
Parks & Trails Fd	650,000	650,000	425,000	500,000	575,000	650,000	725,000
Street Improvement Fd	5,880,000	6,080,000	6,080,000	6,380,000	7,005,000	7,380,000	7,580,000
Storm Water							
Technology Dev Fd	600,000	650,000	650,000	650,000	800,000	850,000	900,000
<b>Total CIP Levies</b>	<b>8,604,000</b>	<b>9,580,100</b>	<b>9,173,000</b>	<b>9,883,000</b>	<b>11,108,000</b>	<b>11,985,000</b>	<b>12,422,000</b>
Park Bond Debt Svc Levy	284,130	284,340	284,445	289,695	289,485	289,170	289,170
Public Safety Bldg - Bond Debt Svc + Constr Levy	1,116,668	1,114,989	1,117,929	1,109,529	1,111,209	1,112,048	1,112,048
HRA Levy	300,000	325,000	300,000	325,000	400,000	400,000	400,000
<b>Total Property Tax</b>	<b>43,101,491</b>	<b>45,146,229</b>	<b>48,135,374</b>	<b>51,119,929</b>	<b>54,786,499</b>	<b>57,518,123</b>	<b>59,401,223</b>
Property Tax Change	4.5%	4.74%	6.62%	6.20%	7.17%	4.99%	3.27%

## LOCAL OPTION SALES TAX

- An alternate revenue option to property taxes
  - Estimated at \$4.33M per year
- City issues debt and uses sales tax revenue to pay for principal and interest payments. Sunsets.
- Project(s) specific & meet regional significance standard
- Requires resolution and statutory approval
- Requires local referendum
- Requires passing an ordinance.



## NEXT STEPS - 2023

- Staff will evaluate costs related to potential projects that meet regional significance.
  - Opus park, Opus police/fire substation, The Marsh, Hopkins trail project, Community Center, Natural resource restoration projects, Other trail projects
- Perform analysis impact. Partner with the University of Minnesota Extension.
  - Maple Grove: \$3K and estimated 6 months
- Initiate a dialog with the Minneapolis Regional Chamber.

## ESTIMATED TIMELINE

- Current to Dec. 2023: Next steps- as outlined on previous slide
- By December 2023: Review U of M analysis impact & discuss whether to proceed.
- Jan. 31, 2024: adopt resolution and submit to state tax committees
- Summer 2024: adopt resolution
- Summer of 2024 to Nov. 25: public engagement/education campaign
- Nov. 2025: Hold a referendum (legal opinion)
- Nov./Dec. 2025: Pass an ordinance
- Jan 1 to June 30, 2025: education campaign/business outreach
- July 1, 2025: soonest sales tax revenue collection

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## QUESTION?

Does the city council have any concerns with continuing to the next steps?

