DATE: March 6th, 2015
TO: MAYOR & COUNCIL MEMBERS
FROM: DANNY LENZ, CITY MANAGER
SUBJECT: CITY MANAGER’S REPORT

WELCOME TO WASECA POLICE DEPARTMENT’S NEW FULL-TIME OFFICER
The City of Waseca is pleased to congratulate and welcome Officer Arik Matson as the Waseca Police’s Department’s new full-time officer. Officer Matson has been a part-time police officer for the City since November 2013 and was selected from among highly regarded and qualified candidates for the position. Officer Matson is taking the position vacated by Officer Sam McGinnis, who recently took a position with the City of Mankato. Please help me in congratulating Officer Matson.

GREATER MINNESOTA PARTNERSHIP NOTES FROM THE CAPITOL
Attached is a legislative update from the Greater Minnesota Partnership (GMNP). Last week the State’s budget surplus forecast grew by over $800 million to over $1.8 billion. The update includes GMNP’s take on the reason for the increase, and the State’s large fluctuations in projections, which includes an improving economy, the impact of the progressive income tax and the 2013 tax increase. It also discusses the various proposals and ideas that are being talked about regarding the additional tax revenue, including not increasing the gas tax, or reducing taxes going to the general fund.

In addition to the revenue projections, the update includes information on the status of legislation supported by the GMNP. The GMNP bills on workforce housing, job training and the Greater Minnesota Business Development Public Infrastructure grant program have all received hearings in the House and Senate.

ADDITIONAL ATTACHMENTS
- Updated 2015 March Calendar
- CGMC In Brief – 3/5/15
- Greater Minnesota Partnership’s Economic Advantage – 3/3/15
Greater Minnesota Partnership Notes from the Capitol:

**Budget Surplus** — As you may already know, the February Budget forecast was released last week. The projected surplus grew to more than $1.8 billion, which is up over $800 million from the last projection. The February forecast is the one that will be used in the final budget negotiations for the session. As a former member of the Minnesota House, I am often asked why the state sees such big fluctuations in projections. There are many reasons including:

- **Improving Economy** — As the economy continues to recover and businesses and workers’ incomes improve, so will state revenue.
- **Progressive Income Tax** — Minnesota has one of the most progressive incomes taxes in the nation. States that are more dependent on a progressive income tax will see larger swings as the economy changes than will states that are comparatively more reliant on other taxes like sales tax and property tax. This is great news when the economy is expanding, but states like Minnesota will have larger deficits than other states when the inevitable slowdown occurs. Our peaks will be higher and our valleys deeper.
- **2013 Tax Increase** — In 2013, the legislature passed Governor Dayton’s income tax increase. A 4th tier was added which impacted high income earners. The inevitable result will be higher peaks and valleys in revenue. And to be clear, I am not suggesting the 4th tier was a good or bad idea, rather I am pointing out the impact. Those on the left point to the added surplus as a sign that the 4th tier did not hurt the economy and those on the right believe that it did or will have a negative impact. I think it is too soon to really tell and it is impossible to say what would have happened had the tax increase been with smaller or spread out amongst more taxpayers.

What does the additional surplus mean? The increased revenue will have the most impact on the transportation debate. In general, the Republicans are saying that the new revenue means there is no reason to increase the gas tax. The Democrats, including Gov. Dayton, are still pushing an increase in the gas tax. One possible solution would be to increase the gas tax (which does not impact the general fund) and make a corresponding reduction in a general fund tax. This would provide needed long-term revenue for roads and bridges.

In other news, the legislation the GMNP is supporting is moving through the committee process. We have had initial hearings in both the House and Senate on bills regarding workforce housing, job training and the Greater Minnesota Business Development Public Infrastructure (BDPI) grant program. The MPCA oversight bill has been heard in the House, but not yet in the Senate. Let me know if you have any questions about the status or content of our proposals.

The hearings in the House on both BDPI and job training picked up some flak from a few urban members who think the programs should be open to the metro area. While this sounds like it would be equitable, it would not. For example, the BDPI program was designed in response to similar large metro projects being funded in the ‘90s and early 2000s. The BDPI program was created to provide opportunities for economic development for smaller cities. To be clear, we are not against the metro projects — if they create jobs, that is a good thing for the entire state. Cities in Greater Minnesota don’t have the luxury that Minneapolis and St. Paul have in full-time lobbyists and other support staff that are able to get the large metro projects funded. The BDPI
program helps to level the field.

Thanks for your support of the Greater Minnesota Partnership. We continue to add new members to make an even stronger voice for economic development in Greater Minnesota.
**March 2015**

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- 7:00pm Council mtg
- 5:00pm HPC mtg
- 6:00pm Joint Task Force & Planning Comm Work Session
- 7:30pm Plan Comm mtg
- 6:00pm Joint Session w/ County Commissioners
- 7:00pm Council mtg
- 6:00pm Fire Relief Assoc.
- 7:00am EDA mtg

Mary Buenzow

3/6/2015 11:42 AM
LGA bill receives first hearing in the House
The LGA bill initiated by the CGMC, HF 685 (authored by Rep. Paul Anderson, R-Starbuck), received a hearing in the House Property Tax & Local Government Finance Division on Wednesday. CGMC President and Ely City Councilor Heidi Omerza and CGMC lobbyist Bradley Peterson both testified in support of the bill, along with Patricia Nauman from Metro Cities and Gary Carlson from the League of Minnesota Cities.

Legislators asked some questions at the hearing, but the bill faced no significant criticism and was laid over for possible inclusion in the division’s report to the full House Tax Committee. While this was a positive first hearing, there is still a long way to go before an LGA increase become a reality.

To see an estimate by Minnesota House Research of how much LGA each city would get under the bill, click here.

House finishes testimony on environmental bills
The CGMC-supported bills for environmental regulatory reform, HF 616 and HF 617 (both authored by Rep. Dan Fabian, R-Roseau), made it past their first hurdle
in the House. The bills were heard over the course of two days in the Environment and Natural Resources Policy and Finance Committee, where they were ultimately laid over for inclusion in the environment omnibus bill. Committee Chair Rep. Denny McNamara (R-Hastings) also expressed confidence that the bills would pass a vote on the House floor.

CGMC lobbyists and members testified on the first day of the hearing (Feb. 26), and the hearing continued Tuesday with testimony from representatives of the Minnesota Pollution Control Agency (MPCA), Public Facilities Authority (PFA), several environmental groups and the Red River Basin. The PFA and MPCA attempted to create a story that cities don’t need to worry about the added expense of water-quality standards because there will be plenty of loan money from the PFA for all cities who qualify for their loans. This callous response ignores that some cities will not be eligible and will need to use higher priced loans, that the loans are still paid by the citizens of our communities, and that PFA funding does not cover operating or disposal costs.

While the legislation has bipartisan support, legislators appear to be divided on the issues raised in the bills. We will continue to educate legislators and gather support for the legislation. We are hopeful that good science will prevail. More information about the legislation is available here.

**Metro legislator attacks CGMC as 'special interest' organization**

During the Feb. 26 hearing on the CGMC’s environmental initiatives, Rep. Rick Hansen (DFL-South St. Paul) launched a very inappropriate line of questions toward CGMC lobbyist Elizabeth Wefel. Rather than ask about the substance of CGMC’s concerns or the substance of the bills, Rep. Hansen instead insinuated that the CGMC is a big-spending lobbying organization and asked questions about whether the CGMC has a political action committee and what political contributions it makes.

Of course, the answer to these questions is that that the CGMC does not have a
PAC and does not make any political contributions. Nonetheless, Rep. Hansen went on to complain about money as “the pollution in the system,” insinuating that the CGMC was either motivated by unsavory financial concerns or was advancing its legislation through inappropriate means.

Rep. Hansen also expressed his surprise that CGMC “wrote the bill.” A legislator of such long standing as Rep. Hansen (first elected in 2004) should not be surprised that an advocacy organization devoted to rural communities would work with their legislators to craft bills that help address the problems their communities face.


This was an unfortunate circumstance where a legislator chose to attack the messenger on a bill he doesn't like, rather than seek to understand our concerns or actually discuss the bill on its merits.

You can listen to audio of the five-minute exchange here. The audio of the entire committee hearing is also available here.

‘February Forecast’ shows surplus increase
Last Friday, Minnesota Management and Budget (MMB) unveiled the most up-to-date look at the health of the state’s budget. As you have likely seen, the forecast shows a surplus for the next biennium of more than $1.8 billion, up from approximately $1 billion in November’s forecast. Most of the forecasted growth is coming from higher than projected income and sales tax collections. More information on the projected surplus can be found on the MMB website.

Now that the forecast is out, the work to craft the state budget at the legislature will intensify. Already calls for additional spending and significant tax breaks can be heard. From CGMC’s perspective, the forecast should make it easier for the
legislature to make strategic investments in such things as LGA, workforce housing, job training and broadband expansion.

While making some discussions at the legislature potentially easier, the budget announcement complicates the transportation discussion. Many legislators who had previously been open to a gas tax are starting to back away from the idea that it is necessary. In light of the surplus, House Speaker Kurt Daudt (R-Crown) has indicated his House Republican Caucus will not pass a gas tax, but that they will release a transportation funding bill soon. Stay tuned.

Workforce housing bill progresses in House
The workforce housing bill initiated by the CGMC and the Greater Minnesota Partnership (GMNP), HF 749 (authored by Rep. Rod Hamilton, R-Mountain Lake), received a hearing in the Greater Minnesota Economic and Workforce Development Policy Committee this afternoon. GMNP Executive Director Dan Dorman, Windom City Administrator Steve Nasby, Perham EDA Director Chuck Nelson and Fred Sailer, recruitment officer for KLN Family Brands in Perham, all testified in support of the bill and the need for middle-income housing in many Greater Minnesota communities. The committee voted in favor of the bill and it was referred to its next stop in the House, the Job Growth and Energy Affordability Policy and Finance Committee.

Transportation: Cities encouraged to pass resolution, share their stories
With the report of the increasing state budget surplus, the time is ripe for small cities to get transportation funding from the general fund. However, that won’t happen unless the Legislature understands how dire the need is for small cities to get some transportation help. We have drafted a sample resolution for small cities, which you can access here. It’s a statement of need with a request for general fund money to be distributed to small cities. When you’ve passed the resolution, send it to Governor Dayton (LINK), your representative and your senator. Please also send a copy to CGMC transportation lobbyist Carolyn Jackson at
Cities over 5,000: We need your stories as well! While the Governor and the Senate have new revenue for Municipal Street Aid streets, they do not include state money for your non-MSA streets. Please contact Carolyn Jackson with your city’s stories about the stress increased street repair and replacement have placed on your budget. Any costly turnbacks? Any cost participation stories? They will help us make our case to the Legislature.

**Let us know if your city passes resolutions on LGA, levy limits**

In recent weeks, we have been encouraging CGMC members to pass resolutions against levy limits and in support of LGA. Several city leaders have informed us that their cities have passed such resolutions, but we’d like to encourage more cities to do so. Sample versions of the resolutions are available on the [LGA & Property Tax Relief](#) page on the CGMC website or you can access them directly at the following links: [LGA Sample Resolution](#) and [Levy Limits Sample Resolution](#).

If your city passes a resolution on LGA or levy limits, please send a copy to Bradley Peterson at [bmpeterson@flaherty-hood.com](mailto:bmpeterson@flaherty-hood.com).

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**Save the date!**

*Please mark your calendar for upcoming CGMC events and important dates:*

- **CGMC Summer Conference**: July 22-24, 2015, Duluth

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House committee hears environmental bills
The GMNP-supported bills for environmental regulatory reform, [HF 616](#) and [HF 617](#) (both authored by Rep. Dan Fabian, R-Roseau), made it past their first hurdle in the House. The bills were heard over the course of two days in the House Environment and Natural Resources Policy and Finance Committee, where they were ultimately laid over for inclusion in the omnibus environment and finance bill. Committee Chair Rep. Denny McNamara (R-Hastings) also expressed confidence that the bills would pass a vote on the House floor.

Several people testified in support of the bills, including GMNP Executive Director Dan Dorman and representatives from the Coalition of Greater Minnesota Cities, Minnesota Chamber of Commerce and Minnesota Environmental Science and Economic Review Board (MESERB). There was also testimony in opposition to the bill from the Minnesota Pollution Control Agency and some environmental groups.

In his testimony, Dorman noted that the water-quality standards that brought on the
need for the legislation are much stricter in Minnesota than neighboring states, which can hurt business competitiveness and cause existing businesses to expand elsewhere or leave all together. He said this is especially an issue for Minnesota’s border cities.

While the legislation has bipartisan support, legislators appear to be divided on the issues raised in the bills. We will continue to gather support for the legislation and we are hopeful that good science will prevail. More information about the legislation is available here.

**Senate committee shows support for BDPI legislation**

SF 763 and SF 386 (both authored by Sen. Vicki Jensen, DFL-Owatonna), which would provide $20 million in funding for the Greater Minnesota Business Development Public Infrastructure (BDPI) Grant Program, was heard Monday in the Senate Jobs, Agriculture and Rural Development Committee, where they were met with lot of support and passed on to their next committees.

Dan Dorman and Sen. Jensen testified in support of the legislation along with Owatonna Mayor Tom Kuntz and Community and Economic Development Associates (CEDA) Vice President Chris Giesen. Kuntz provided two examples of how the BDPI program was used to create jobs in Minnesota. He noted that both instances were business expansions that could have gone to another state, but by using BDPI and local funds the expansions were able to occur in Minnesota. Giesen spoke about how the BDPI program has been used for projects in multiple southeastern Minnesota cities and he discussed the need for some of the program changes proposed in the bills.

The bonding portion of the legislation has now been sent to the Capital Investment Committee, while the cash portion is going to the Environment, Economic Development and Agriculture Budget Division Committee.
GMNP staff meet with DEED to discuss bills, address concerns

This morning, Dan Dorman and GMNP policy analyst Chris Henjum met with staff members from the Department of Employment and Economic Development (DEED) to discuss the GMNP’s legislation on the BDPI grant program and workforce housing, both of which have components that involve DEED.

At the meeting, Dorman and Henjum walked DEED staff members through the bills and discussed the ways they would affect the department and existing programs. The DEED representatives expressed some concerns about aspects of the bills, and the GMNP will continue to work with them to find bill language that will address those concerns while still achieving the GMNP’s goals.

The Greater Minnesota Partnership brings together businesses, economic development organizations, local governments and non-profits to promote and advocate for economic prosperity in Greater Minnesota.

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