April 9, 2014

The Honorable Mark Dayton  
Governor of Minnesota  
Room 130, State Capitol  
75 Rev. Dr. Martin Luther King, Jr. Blvd.  
St. Paul, MN 55155

The Honorable Erin Murphy  
House Majority Leader  
Room 459, State Office Building  
100 Rev. Dr. Martin Luther King, Jr. Blvd.  
St. Paul, MN 55155

The Honorable Paul Thissen  
Speaker of the House  
Room 463, State Office Building  
100 Rev. Dr. Martin Luther King, Jr. Blvd.  
St. Paul, MN 55155

The Honorable Kurt Daudt  
House Minority Leader  
Room 267, State Office Building  
100 Rev. Dr. Martin Luther King, Jr. Blvd.  
St. Paul, MN 55155

The Honorable Tom Bakk  
Senate Majority Leader  
Room 226, State Capitol  
75 Rev. Dr. Martin Luther King, Jr. Blvd.  
St. Paul, MN 55155

The Honorable David Hann  
Senate Minority Leader  
Room 147, State Office Building  
100 Rev. Dr. Martin Luther King, Jr. Blvd.  
St. Paul, MN 55155

RE: Municipal Street Improvement District Legislation: HF 745 (Erhardt)/SF 607 (Carlson)

Dear Governor Dayton, Speaker Thissen, Majority Leader Bakk, Majority Leader Murphy, Minority Leader Daudt and Minority Leader Hann,

On behalf of Minnesota’s 853 cities, we thank you for recognizing the pressing need for road repairs across multiple jurisdictions statewide. We sincerely appreciate you supporting efforts to advance funding to fill potholes and restore roads to a drivable condition.

Unfortunately, the deterioration we are seeing on state and local roads is not the result of one bad Minnesota winter. Roads that are properly maintained are significantly less vulnerable to damage than roads that have been neglected. The current poor condition of road pavement throughout the state is the result of deferred maintenance due to fiscal constraints. While one-time revenue will
be helpful in the short term, a long term solution is not only necessary, but critical to preserving expensive assets.

The cost to perform maintenance on schedule is a fraction of the cost of making repairs to crumbling roads. According to the United States Dept. of Transportation, for every one dollar spent on maintenance, a road authority saves seven dollars in repairs. By the time a road is crumbling, the opportunity to make modest investments has passed.

Cities are in a uniquely difficult position as it pertains to road maintenance and reconstruction. While the state and all 87 counties receive funds from the Highway User Tax Distribution Fund, only cities over 5,000 population (currently 146 of 853 cities) are eligible for state aid dollars. Within state aid cities, revenues are not keeping up with needs. Currently 84 percent of city streets are paid for with a combination property taxes, local government aid and special assessments. Each of these funding mechanisms has limitations, which we would be more than willing to discuss with you in further detail. The point is that cities are falling woefully behind on street maintenance and have long recognized the need for a new funding option.

We are writing to respectfully ask for your assistance in securing passage of a funding tool that would help cities pay for street maintenance and reconstruction. The legislation, SF 607 (Carlson)/HF 745 (Erhardt), is a bipartisan bill that would allow cities to create street improvement districts. It is a local option that we strongly believe should be made available to cities statewide. Our preferred version of this initiative is attached.

Cities have attempted for several years to secure passage of legislation that would enable them to implement street improvement districts. Just since 2013, 100 cities have adopted resolutions of support for enacting street improvement district authority. The legislation would authorize cities to establish street improvement districts within their boundaries to fund municipal street maintenance, construction, reconstruction and facility upgrades. If enacted, this legislation would provide cities with an additional tool to build and maintain city streets. Most importantly, this tool would allow cities to perform maintenance at the optimal time—that is, when it is most cost effective.

In 2013, the counties secured expanded whealage tax authority and local option sales tax authority to fund transportation projects. In spite of passing through all policy and finance committees having jurisdiction over the bill, the street improvement district initiative did not reach final passage. A version of the cities' street improvement district bill was included in the House's omnibus tax bill in 2013, but the provision was removed in conference committee.

We strongly urge you to seek inclusion of the street improvement district language in a conference committee report that will reach final passage in 2014. We appreciate your attention to this important issue and stand ready to answer any questions you might have.
Please direct any correspondence on this issue to Anne Finn, Assistant Intergovernmental Relations Director, League of Minnesota Cities, at (651)281-1263 or afinn@lmc.org.

Sincerely,

Shaunna Johnson
Administrator, City of Waite Park
President, League of Minnesota Cities

Susan Arntz
Administrator, City of Waconia
President, Metro Cities

Randy Wilson
Mayor, City of Glencoe
President, Coalition of Greater Minnesota Cities

Jim Hovland
Mayor, City of Edina
Chair, Municipal Legislative Commission

Jeff Thompson
Mayor, City of Paynesville
President, Minnesota Association of Small Cities

C: Rep. Ron Erhardt
Sen. Jim Carlson
Rep. Frank Hornstein
Sen. Scott Dibble
Rep. Ann Lenczewski
Sen. Rod Skoe
Commissioner Charlie Zelle

Attachments: Street Improvement District Language
List of Cities That Have Adopted Street Improvement District Resolutions
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Minnesota State Legislature
Minnesota House of Representatives

HF 745
2nd Engrossment - 88th Legislature (2013 - 2014) Posted on 04/02/2013 03:12pm

KEY: striken = removed, old language. underscored = added, new language.
Version List
Authors and Status

1.1
relating to municipalities; authorizing municipalities to establish street
improvement districts and apportion street improvement fees within districts;
requiring adoption of street improvement plan; authorizing collection of fees;
proposing coding for new law in Minnesota Statutes, chapter 435.
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [435.39] MUNICIPAL STREET IMPROVEMENT DISTRICTS.
Subdivision 1. Definitions. (a) For the purposes of this section, the following terms
have the meanings given them.
(b) "Governing body" means the city council of a municipality.
(c) "Improvements" means construction, reconstruction, and facility upgrades
involving: right-of-way acquisition; paving; curbs and gutters; bridges and culverts and
their repair; milling; overlaying; drainage and storm sewers; excavation; base work;
subgrade corrections; street lighting; traffic signals; signage; sidewalks; pavement
markings; boulevard and easement restoration; impact mitigation; connection and
reconnection of utilities; turn lanes; medians; street and alley returns; retaining walls;
lanes; lane additions; and fixed transit infrastructure, trails, or pathways. "Fixed transit
infrastructure" does not include commuter rail rolling stock, light rail vehicles, or
transit way buses; capital costs for park-and-ride facilities; feasibility studies, planning,
analytical studies, environmental studies, engineering, or construction of transit ways;
or operating assistance for transit ways.
(d) "Maintenance" means striping, seal coating, crack sealing, pavement repair,
sidewalk maintenance, signal maintenance, street light maintenance, and signage.
(e) "Municipal street" means a street, alley, or public way in which the municipality
is the road authority with powers conferred by section 429.021.
(f) "Municipality" means a home rule charter or statutory city.
(g) "Street Improvement district" means a geographic area designated by a
municipality and located within the municipality within which street improvements and
maintenance may be undertaken and financed according to this section.
(h) "Undeveloped parcel" means a parcel of land that abuts an unimproved municipal
street and that is not served by municipal sewer or water utilities; or in the case of a parcel
abutting an improved municipal street and served by municipal sewer or water utilities,
the parcel contains a structure that has not previously been occupied.

Subd. 2. Authorization. A municipality may establish by ordinance municipal
street improvement districts and may defray all or part of the total costs of municipal street
improvements and maintenance by apportioning street improvement fees to all of the
developed parcels located in the district. A street Improvement district must not include
any property already located in another street Improvement district.

Subd. 3. Uniformity. The total costs of municipal street improvements and
maintenance must be apportioned to all developed parcels or developed tracts of land
located in the established street Improvement district on a uniform basis within each
classification of real estate.

Subd. 4. Adoption of plan. Before establishing a municipal street Improvement
district or authorizing a street Improvement fee, a municipality must propose and adopt a
street Improvement plan that identifies the location of the municipal street Improvement
district and identifies and estimates the costs of the proposed improvements during the
proposed period of collection of municipal street Improvement fees, which must be for
a period of at least five years and at most 20 years. Notice of a public hearing on the
proposed plan must be given by mail to all affected landowners at least 30 days before
the hearing and posted for at least 30 days before the hearing. At the public hearing, the
governing body must present the plan and all affected landowners in attendance must have
the opportunity to comment before the governing body considers adoption of the plan.

Subd. 5. Use of fees. Revenues from street Improvement fees must be placed in
a separate account and used only for projects located within the district and identified
in the municipal street Improvement plan.

Subd. 6, **Collection: up to 20 years.** (a) An ordinance adopted under this section must provide for billing and payment of the fee on a monthly, quarterly, or other basis as directed by the governing body. The governing body may collect municipal street improvement fees within a street improvement district for a maximum of 20 years.

(b) Fees that, as of October 15 of each year, have remained unpaid for at least 30 days may be certified to the county auditor for collection as a special assessment payable in the following calendar year against the affected property.

Subd. 7, **Improvement fee.** A municipality may impose a municipal street improvement fee by ordinance. The ordinance must not be voted on or adopted until after public notice is provided and a public hearing is held in the same manner as provided in subdivision 4.

Subd. 8, **Not exclusive means of financing improvements.** The use of the municipal street improvement fee by a municipality does not restrict the municipality from imposing other measures to pay the costs of local street improvements or maintenance, except that a municipality must not impose special assessments for projects funded with street improvement fees.

Subd. 9, **Undeveloped parcels: fees.** A municipality may not impose a street improvement fee on any undeveloped parcel located within an established street improvement district until at least three years after either the date of substantial completion of the paving of the previous unimproved municipal street or the date which a previously unoccupied structure is first occupied, whichever is later.

**EFFECTIVE DATE.** This section is effective July 1, 2013.
McDonough, Beth

To: McDonough, Beth

Subject: street improvement districts

Cities Make Plea for Street Improvement District Authority A letter from the League and other city groups states that the poor condition of roads is the result of deferred maintenance, and calls on state leaders to allow cities to create street improvement districts. (Published Apr 9, 2014) Cities today delivered a letter to Gov. Dayton and legislative leadership imploring them to include passage of the street improvement district initiative as a priority in the remaining days of the 2014 Session. Noting that support for funds to fill potholes is helpful, one-time money will not address the crucial need to fund the ongoing maintenance that protects pavement from needing expensive repairs. The letter was signed by the presidents of the League of Minnesota Cities, Metro Cities, the Coalition of Greater Minnesota Cities, the Minnesota Association of Small Cities and the Municipal Legislative Commission. It states that the current poor condition of road pavement throughout the state is the result of deferred maintenance, and calls on state leaders to allow cities to create street improvement districts. View the letter (pdf) The letter asks for support of existing legislation, HF 745 (Rep. Ron Erhardt, DFL-Edina)/SF 607 (Sen. Jim Carlson, DFL-Eagan), and explains why cities need an additional funding tool: "Cities are in a uniquely difficult position as it pertains to road maintenance and reconstruction. While the state and all 87 counties receive funds from the Highway User Tax Distribution Fund, only cities over 5,000 population (currently 146 of 853 cities) are eligible for state aid dollars. Within state aid cities, revenues are not keeping up with needs. Currently 84 percent of city streets are paid for with a combination of property taxes, local government aid and special assessments. Each of these funding mechanisms has limitations, which we would be more than willing to discuss with you in further detail. The point is that cities are falling woefully behind on street maintenance and have long recognized the need for a new funding option. " Bill history Cities have attempted for several years to secure passage of legislation that would enable them to implement street improvement districts. Just since 2013, more than 100 cities have adopted resolutions of support for enacting street improvement district authority. The legislation would authorize cities to establish street improvement districts within their boundaries to fund municipal street maintenance, construction, reconstruction and facility upgrades. If enacted, this legislation would provide cities with an additional tool to build and maintain city streets. Most importantly, this tool would allow cities to perform maintenance at the optimal time—that is, when it is most cost effective. Currently, the street improvement district legislation has passed through all policy and finance committees and has not been acted upon by the tax committees. The measure was included in the House version of the 2013 omnibus tax bill, but it was removed during conference committee. Also in 2013, the counties were able to secure expanded wheelage tax authority and local option sales tax authority for transportation purposes. The League is urging city officials to discuss this legislation with legislators when they return to their districts during the upcoming Easter/Pasover break.

Contact Anne Finn Assistant IGR Director (651) 281-1263 or (800) 925-1122 afinn@lmc.org

http://www.lmc.org/page/1/ID-Letter.jsp

Beth McDonough
KSTP-TV, Channel 5
desk: 651-642-4407
cell: 612-210-8884
bmcdonough@kstp.com

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