



COTTAGE GROVE CITY COUNCIL

12800 RAVINE PARKWAY SOUTH
COTTAGE GROVE, MINNESOTA 55016

January 11, 2023

SPECIAL MEETING - 6:00 P.M. TRAINING ROOM

- 1 CALL TO ORDER
- 2 ROLL CALL
- 3 AGENDA ITEM
 - 03.A Meet With Local Legislatures - Rescheduled for 1/18/23 at 5 P.M.
 - 03.B Local Option Sales Tax
- 4 ADJOURNMENT



City Council Action Request

3B

Meeting Date 1/11/2023

Department Parks and Recreation

Agenda Category Agenda Item

Title Local Option Sales Tax Workshop

Staff Recommendation Receive information regarding local option sales tax and provide direction.

Budget Implication N/A

Attachments

Council Memo - LOST Workshop	1.9 MB
LOST Project in MN Report	16.6 MB
LOST Presentation	67.68 MB
FH Cottage Grove Proposal	1.08 MB
LOST Agreement 2023	4.56 MB



To: Honorable Mayor and City Council
Jennifer Levitt, City Administrator

From: Zac Dockter, Parks and Recreation Director

CC: Brenda Malinowski, Finance Director

Date: January 6, 2023

Subject: Local Option Sales Tax Workshop

Introduction/Background

At the City Council Workshop on January 4, 2023, City Council requested further discussion on the local option sales tax (LOST) project. Included with this memo is the presentation slide deck for the January 11 workshop regarding LOST:

1. Background
2. Details and Timeline
3. Community Engagement Process
4. Project Descriptions and Estimating
5. Project Phasing Options
6. Financial Analysis
7. Local Option Sales Tax Study Option (U of M)
8. Legislative Support Services Option
9. Council Resolution Detail
10. Ballot Question Detail
11. Next Steps

Staff Recommendation

Receive information regarding local option sales tax and provide direction.

Table 2
Currently Imposed Local Sales Taxes

Taxing Jurisdiction & Year Authorized	Rate	Approval Required	Use of Revenues/Other Comments
Duluth – 1973	1.0% until September 30, 2019 1.5% as of October 1, 2019	City council approval Approved by voters at a 2017 general election	The tax may be used for any city purpose, as determined by the city council. No expiration date. In 2019, the city was granted authority to increase the tax by an additional 0.5%, based on voter approval at the city's 2017 general election, to fund improvements as outlined in its 2017 Street Improvement Plan. The additional tax expires at the earlier of 25 years after imposition or when revenues are sufficient to fund the improvements.
Rochester – 1983	0.5% until December 31, 2015 0.75% as of January 1, 2016	All but 1989 and 2013 extensions required voter approval at a general or special election	This tax has been renewed or extended six times, in 1989, 1992, 1998, 2005, 2011, and 2013. Initially enacted at 1.0% to raise \$16 million for a civic center and \$16 million for flood control; the rate was lowered to 0.5% in 1992. The 1998 extension allows the city to raise another \$76 million for various higher education, transportation, and sewer capital projects. The tax extension in the 2005 special legislative session allowed another \$40 million to be raised for a joint road project with Olmsted County. In 2011, the tax was extended again to fund an additional \$139.5 million in projects if approved by the voters at the 2012 general election. However, \$5 million of the new \$139.5 million must be shared with small cities surrounding Rochester for economic development purposes in those communities. In 2013, the city was granted authority to extend the tax to 2049 and/or increase the existing rate by one-quarter of 1.0% without a referendum to generate additional revenue to pay the city's required match to get state aid to fund the Destination Medical Center (DMC) project. The city chose to increase the rate beginning January 1, 2016.
Minneapolis – 1986	0.5%	Approval of the city's board of estimate and taxation, and after imposition of the local restaurant and lodging taxes	Fund construction and maintenance of the convention center. In 1992, the city was authorized to use excess proceeds for neighborhood early learning centers but the city has not done so. The tax expires when all bonds are paid off. In 2009, the use of the revenue was modified to allow the city to use revenues collected in excess of the convention center bond payments for other city purposes. For CY 2009 and 2010, the excess revenues could be used for any purpose. Beginning in CY 2011, the excess revenues could only be used to fund capital projects to further economic development. In 2012, the tax was extended to 2046 without a referendum to help fund the city's share of a new football stadium. Beginning in 2021, when the current convention center bonds are paid off, the state will annually retain a portion of the city's sales tax revenues to reimburse it for the city's share of the stadium costs.

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			Excess revenue not needed to pay off the convention center bonds or the football stadium may be used to support a basketball arena as well as fund other economic development capital projects in the city.
Mankato – 1991	0.5%	Reverse referendum for initial approval invoked by petition of 10% of voters in the 1992 general election; the 2017 change was approved at the 2016 general election	To fund capital and operations of the Riverfront project, including a sports arena. In 1996 this was expanded to allow \$4.5 million for an airport project. The tax was extended again in the 2005 special legislative session to allow up to \$1.5 million annually to fund operating costs of the Riverfront facility based on approval by the voters at a general or special election. The tax was to expire no later than 2018. In 2008 the allowed uses of the tax were modified to exclude operating costs and include capital costs of an attached performing arts theatre and a women's hockey exposition center used by Minnesota State University, Mankato. The expiration date was moved to December 31, 2022. A reverse referendum for these changes could have been invoked by a petition of 10% of the voters at the 2008 general election, but was not. In 2009, the requirement that the performing arts center and hockey center be attached to the Riverfront facility was removed. In 2017, the city was allowed to extend the tax to pay for up to an additional \$47 million in various recreational, transit, water, and other capital projects of regional significance. The tax will now expire at the earlier of (1) when revenues are sufficient to pay for the projects and associated bond costs, or (2) December 31, 2038.
St. Paul – 1993	0.5%	A city resolution passed before July 1, 1993, stating the intent to impose the tax	40% must be used to fund capital costs of the civic center, which includes the hockey arena; the remainder may be used for other neighborhood projects. The allowed uses of the remaining 60% of the revenues have been modified over time, most recently in 2009. In 2013 the law was amended to allow any excess of the 40% amount not needed for the civic center and hockey arena to go into an economic development fund rather than neighborhood projects. This allows excess revenues to be used to fund a minor league ballpark. The tax was set to expire December 31, 2030, but the 2013 law extended it to December 31, 2042.
Hermantown – 1996	0.5% Changed to 1.0% on April 1, 2013	Required voter approval at a general or special election for original; increase approved at 2012 general election; the 2017 extension was	The projects included water and sewer projects and a police/fire station. The tax expires at the later of ten years or when sufficient funds have been raised for the three projects. A 2008 provision added water system improvements to the list of approved projects. In 2011 the city was given authority to increase the tax by an additional 0.5% if approved at the 2012 general election because the original authority had been to impose up to a 1.0% tax and the revenues from the 0.5% tax

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Currently Imposed Local Sales Taxes

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		approved at the 2016 general election	were insufficient to fund the authorized projects. In 2017, the city was allowed to use tax revenues to fund a city wellness center, and the expiration date was changed to the earlier of (1) when revenues are sufficient to fund the authorized projects, or (2) December 31, 2036.
Two Harbors – 1998	0.5% Changed to 1.0% on October 1, 2019	Required voter approval at the 1998 general election	The projects included sewer separation, wastewater treatment, and harbor development projects. The tax expires when sufficient funds have been raised for the three projects. In 2019, the city was allowed to impose an additional 0.5% tax to fund another \$30 million of water and sewer infrastructure projects provided they are enumerated in a separate resolution (see page 3). This additional tax expires at the earlier of 25 years or when funds are sufficient to pay for the allowed projects.
Proctor – 1999	0.5% Changed to 1.0% on October 1, 2017	Required voter approval at a special election held November 2, 1999	Funded community center and transportation projects. Tax expires when sufficient funds to pay for up to \$3.6 million in bonds for the center have been raised. A 2008 provision allowed up to another \$7.2 million in capital projects in the areas of public utilities, sidewalks, bikeways and trails, and parks and recreation. In 2010 legislation was introduced to replace the two separate bond authorities of \$3.6 million and \$7.2 million with one authority for \$20 million, but the final provision signed into law replaced it with a combined authority of \$10 million. In 2017, the tax rate was allowed to increase to 1.0% but the amount allowed to be raised before the tax expires remains unchanged.
New Ulm – 1999	0.5%	Required voter approval at the 1999 general election; the 2017 change was approved at the 2016 general election	Funded a civic and community center project. Tax expires when sufficient funds to pay for up to \$9 million in bonds for the center have been raised. In 2017, the city was allowed to use the tax to pay for an additional \$14.8 million in bonds to fund a number of recreational facilities with the expiration of the tax delayed until revenues are sufficient to pay off these new bonds.
Central Minnesota Cities – 2002 (includes St. Cloud, Sauk Rapids, Sartell, St. Augusta, St. Joseph, and Waite Park)	0.5%	Required voter approval at a general election in each city	Funded improvements of the St. Cloud airport and other capital projects in each city. The authorizing referenda in St. Joseph and Waite Park originally failed so the tax was not imposed in those cities, but in 2005, Waite Park was allowed to impose the tax based on a successful 2004 referendum. In 2005, the group of cities was allowed to replace this tax with an identical tax to fund a new regional library in St. Cloud and other capital projects in each city. Imposition required voter approval at a general election, which passed in all cities, including St. Joseph. The tax was to expire in 2018, however, during the 2013 legislative session, each city was granted authority to extend the tax until 2038, provided it was approved at a local

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			referendum by November 7, 2017. The referendum authorizing the extension must list the additional projects to be funded.
Albert Lea – 2005	0.5%	Required voter approval at the 2006 general election, or a special election on November 8, 2005	Fund a lake improvement project. Expires at the earlier of ten years or when \$15 million is raised. In 2014, the ten-year expiration date was extended to 15 years after the date imposed, because the annual revenues generated have been less than expected. In 2017, the 15-year termination date was extended to the earlier of 30 years or when \$30 million is raised.
Bemidji – 2005	0.5%	Based on voter approval at the 2002 general election	Fund park and trail improvements. Expires when revenues are raised to pay \$9.826 million in bonds.
Austin – 2006	0.5%	Voter approval at a general or special election before January 1, 2007	Fund flood mitigation projects. Expires at the earlier of 20 years or when revenues are sufficient to pay \$14 million in bonds. Any excess revenue is deposited in the city general fund.
Baxter – 2006	0.5%	Based on voter approval at the 2004 general election	Fund joint water and wastewater facilities for the cities of Baxter and Brainerd and a fire substation for Baxter. Expires at the earlier of 12 years or when revenues are sufficient to pay \$15 million in bonds. Any excess revenue is deposited in the city capital project fund. The tax was set to expire in early 2015, however in 2014 the law was modified to allow the city to extend the tax to December 31, 2037, to fund payment of up to an additional \$40 million in bonds if approved by voters at the 2014 general election. \$8 million of the additional spending must be used on improvements to the Brainerd Lakes Area Airport with the remainder available for sanitary and storm sewer projects and transportation safety improvements.
Brainerd – 2006	0.5%	Based on voter approval at the 2004 general election	Fund joint water and wastewater facilities for the cities of Baxter and Brainerd and trail improvements. Expires at the earlier of 12 years or when revenues are sufficient to pay \$15 million in bonds. Any excess revenue is deposited in the city capital project fund. In 2014 the law was modified to allow the city to extend the tax for an additional 18 years and spend another \$15 million for water and wastewater infrastructure and trails if approved by voters at the 2014 general election. The extension was set to coincide with the extension authorized in the neighboring city of Baxter.
Hennepin County – 2006	0.15%	No voter approval required	Fund up to \$260 million in costs for a baseball stadium plus up to \$4 million annually (adjusted for inflation) to fund youth, youth sports, and county libraries. Expires

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			when the stadium bonds are paid off or when reserves from the tax are sufficient to pay the bonds. In 2011 the law was modified to include a definition of "sufficient reserves."
Clearwater – 2008	0.5%	Based on voter approval at the 2006 general election	Fund the acquisition, construction, and improvement of a pedestrian bridge and land and buildings for a community recreation center. In 2011 the allowed uses were expanded to include park and recreation projects contained in the city's adopted 2006 improvement plan. In 2013 the projects included in the 2006 improvement plan were explicitly listed in the law since the city had never formally adopted the 2006 plan. Expires at the later of 20 years after imposition or when revenues are sufficient to fund \$12 million in bonds. Any excess revenue is deposited in the city general fund.
Cook County – 2008	1.0%	Voter approval at a general or special election before December 31, 2009	Fund the construction and improvements to a county community center and recreation area, including a skateboard park, hockey rink, ball fields, tennis courts, and associated improvements and the Grand Marais public library. Expires at the later of 20 years after imposition or when revenues are sufficient to fund \$14 million in bonds. Any excess revenue is deposited in the county general fund. In 2009 the authority to use revenues for a skateboard park, hockey rink, ball fields, and tennis courts was eliminated, and the use was expanded to include construction and improvement of a high-speed communication infrastructure network and a district energy plant for public facilities in Grand Marais. The bonding authority was increased from \$14 million to \$20 million.
North Mankato – 2008	0.5%	Based on voter approval at the 2006 general election; the 2017 change was approved at the 2016 general election	Fund up to \$6 million in capital costs for the local share of the Trunk Highway 14/County State-Aid Highway 41 interchange project, the Taylor library, regional parks and trails, riverfront development, and lake improvement projects. Expires when revenues are sufficient to fund the \$6 million in bonds plus associated bond costs. Any excess revenue is deposited in the city capital project fund. In 2017, the city was allowed to fund up to an additional \$9 million in bonds to fund regional athletic facilities with the tax terminating at the earlier of (1) when revenues are sufficient to fund the authorized projects, or (2) December 31, 2038.
Hutchinson – 2011	0.5%	Based on voter approval at the 2010 general election	Fund the costs of constructing the city's water treatment facility and renovating the city's wastewater treatment facility. Expires at the earlier of 18 years or when revenues are sufficient to pay for the projects and associated bond costs. Any excess revenue is deposited in the city general fund.

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Lanesboro – 2011	0.5%	Based on voter approval at the 2010 general election	Fund up to \$800,000 in improvements to the local dam, city streets and utilities, and municipal buildings. Expires when revenues are sufficient to fund the projects plus associated bond costs. Any excess revenue is deposited in the city general fund.
Cloquet – 2011	0.5%	Voter approval at a general election	Fund up to \$16.5 million in park and specified infrastructure improvements. The tax expires at the earlier of 30 years after imposition, or when revenues are sufficient to fund the authorized projects and associated bond costs.
Marshall – 2011	0.5%	Voter approval at a general election within two years	Fund up to \$17.29 million in costs of an emergency response and industry training center and regional amateur sports center. The tax expires at the earlier of 15 years after imposition, or when revenues are sufficient to fund the authorized projects and associated bond costs.
Medford – 2011	0.5%	Voter approval at the 2012 general election	To repay up to \$4.2 million in loans from the Minnesota Public Facilities Authority to improve the city's water and wastewater treatment facilities. The tax expires at the earlier of 20 years after imposition, or when revenues are sufficient to repay the loans.
Olmsted County – 2013	0.25%	Approval by the county board	To fund the county's match required to fund public transit for the Destination Medical Center (DMC) project. A wheelage tax of \$10 per vehicle was also imposed. The taxes expire December 31, 2049, or earlier if sufficient revenues are collected to meet the county match. The county may use excess funds collected in any year, beyond what is needed to meet the DMC match, for other county transportation and transit projects.
East Grand Forks – 2017	1.0%	Approved at a special election held March 7, 2016	Fund up to \$2.82 million in bonds to finance improvement to the city swimming pool. Expires at the earlier of 25 years after imposition or when the revenues are sufficient to pay the bonds.
Fairmont – 2017	0.5%	Approved at the 2016 general election	Fund up to \$15 million in various recreational projects including a community center and trails. Expires at the earlier of 25 years after imposition or when the revenues are sufficient to pay for the projects and associated bond costs.
Fergus Falls – 2017	0.5%	Approved at the 2016 general election	Fund up to \$9.8 million in bonds to expand and improve the public library. Expires at the earlier of 12 years after imposition or when the revenues are sufficient to pay the bonds.
Moose Lake – 2017	0.5%	Approved at the 2012 general election	Fund up to \$3 million in bonds for parks, street, and municipal arena improvements. Expires at the earlier of 20 years after imposition or when the revenues are sufficient to pay the bonds.

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New London – 2017	0.5%	Approved at the 2016 general election	Fund up to \$872,000 of capital projects including construction of a library, community room, and ambulance bay, and improvements to a senior citizen center. Expires at the earlier of 20 years after imposition or when the revenues are equal to \$872,000 plus the associated bond costs.
Spicer – 2017	0.5%	Approved at the 2016 general election	Fund \$800,000 in bonds to finance improvements for public safety, parks and trails, and community facilities. Expires at the earlier of ten years after imposition or when the revenues are equal to \$800,000 plus the associated bond costs.
Walker – 2017	1.5%	Approved at the 2012 general election	Fund up to \$20 million in bonds for street, gutter, and sidewalk projects. Expires at the earlier of 20 years after imposition or when the revenues are equal to the project costs plus the associated bond costs.
Clay County – 2017	0.5%	Approved at the 2016 general election	Fund up to \$52 million in bonds for a new correctional facility, law enforcement center, and associated parking. Expires at the earlier of 20 years after imposition or when the revenues are equal to \$52 million plus the associated bond costs.
Garrison, Kathio, West Mille Lacs Lake Sanitary District – 2017	1.0%	Approved at the 2016 general election	Repay up to \$10 million in bonds and other debt related to the sewer service agreement between the district and ML Wastewater Inc., including sewer extension costs. Expires at the earlier of 20 years after imposition or when the revenues are equal to \$10 million plus the associated bond costs.
Avon – 2019	0.5%	Approved at the 2018 general election	Fund up to \$1.5 million in transportation improvement projects. The city was required to enumerate the specific projects in a separate resolution (see page 3). The tax terminates at the earlier of December 31, 2045, or when revenues are equal to \$1.5 million plus associated bond costs.
Blue Earth (city) – 2019	0.5%	Approved at the 2018 general election	Fund up to \$5 million in various sewer, street, and recreational improvement projects. The city was required to enumerate the specific projects in a separate resolution (see page 3). The tax terminates at the earlier of 25 years after imposition or when revenues are equal to \$5 million plus associated bond costs.
Cambridge – 2019	0.5%	Approved at the 2018 general election	Fund up to \$8 million for a library and \$14 million for street improvement projects. The city was required to enumerate the specific projects in a separate resolution (see page 3). The tax terminates at the earlier of December 31, 2043, or when revenues are equal to \$5 million plus associated bond costs.
Detroit Lakes – 2019	0.5%	Approved at the 2018 general election	Fund up to \$6.7 million for a new police facility. The tax terminates at the earlier of ten years after imposition or when revenues are equal to \$6.7 million plus associated bond costs.

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Elk River – 2019	0.5%	Approved at the 2018 general election	Fund \$35 million for a number of enumerated park and recreational facilities, dredging Lake Orono, and building trail connections. The tax terminates at the earlier of 25 years after imposition or when revenues are equal to \$35 million plus associated bond costs.
Excelsior – 2019	0.5%	Approved at the 2014 general election	Fund \$7 million of improvements to the city commons included in the 2017 Commons Master Plan. The tax terminates at the earlier of 25 years after imposition or when revenues are equal to \$7 million plus associated bond costs.
International Falls – 2019	0.5%	Approved at the 2018 general election	Fund up to \$30 million of transportation and other infrastructure projects. The city was required to enumerate the specific projects in a separate resolution (see page 3). The tax terminates at the earlier of 30 years after imposition or when revenues are equal to \$30 million plus associated bond costs.
Rogers – 2019	0.5%	Approved at the 2018 general election	Fund \$16.5 million of specified projects including trail and pedestrian projects; aquatic facilities, and various improvements at the South Community Park. The city is also imposing a \$20 motor vehicle excise tax for the same purpose. The taxes terminate at the earlier of 20 years after imposition or when revenues are equal to \$16.5 million plus associated bond costs.
Willmar – 2019	0.5%	Approved at the 2018 general election	Fund \$30 million of specified recreation and stormwater infrastructure projects. The city is also imposing a \$20 motor vehicle excise tax for the same purpose. The taxes terminate at the earlier of 13 years after imposition or when revenues are equal to \$30 million plus associated bond costs.

Table 3
Local Sales Taxes That Were Imposed But Have Expired

Taxing Jurisdiction & Year Authorized	Rate	Approval Required	Use of Revenues/Other Comments
Cook County – 1993	1.0%	Required voter approval at a general or special election	Originally set to expire when \$4 million was raised for the Cook County hospital. Extended in 1997 to allow an additional \$2.2 million to be raised for the North Shore care center. Expired April 1, 2008.

Table 3
Local Sales Taxes That Were Imposed But Have Expired

Taxing Jurisdiction & Year Authorized	Rate	Approval Required	Use of Revenues/Other Comments
Willmar – 1997	0.5%	Required voter approval at the 1996 general election	Funded library improvements. Expired December 31, 2001, after \$4.5 million was raised.
Winona – 1998	0.5%	Required voter approval at the 1998 general election	Dredged Lake Winona. Expired December 31, 2001, after raising \$4.0 million.
Willmar – 2005	0.5%	Based on voter approval at the 2004 general election	Funded an airport, park and trails, and civic center improvement projects. Expired at the later of seven years or when revenues raised were sufficient to pay \$8 million in bonds. Any excess revenue is deposited in the city general fund. Expired December 31, 2012.
Worthington – 2005	0.5%	Voter approval by a general election held before December 31, 2009	Funded a community center and renovations to the Memorial Auditorium. Originally expired at the earlier of ten years or when revenues raised were sufficient to pay \$6 million in bonds. In 2014 the city was granted authority to extend the tax through 2039 if revenues were used to pay for the city's share of the local match needed to get state aid to fund the Lewis and Clark water project. In 2017, the city was allowed to extend the tax to fund an additional \$1.3 million in bonds, subject to a reverse referendum, to construct public athletic facilities. The tax expired September 30, 2018.
Owatonna – 2006	0.5%	Required voter approval at the 2006 general election	Funded transportation projects, regional parks and trails, a fire hall, and library improvements. Expired at the earlier of ten years or when revenues were sufficient to pay \$12.7 million in bonds. Expired June 30, 2011.
Fergus Falls – 2011	0.5%	Based on voter approval at the 2010 general election	Funded up to \$6 million in costs related to a community ice arena facility. Expired when revenues raises are sufficient to finance the facility and pay associated bond costs. Any excess revenue is deposited in the city general fund. Expired December 31, 2016.



Local Option Sales Tax Presentation

*City Council Workshop:
January 11, 2023*



Local Option Sales Tax (LOST) Summary

- LOST is a sales tax that can be used by local governments in Minnesota to fund up to five capital projects
- Projects must have regional significance
- The proposed LOST is one-half percent (0.5%)
 - Equates to \$0.50 on every \$100 of taxable purchases
- Since LOST will be applicable within the boundaries of Cottage Grove, it will reduce residents' share of the cost to improve city facilities

LOST Timeline

Jan 18: City council adopts a resolution proposing LOST

Jan 31: City submits the adopted resolution to the House and Senate Tax Committees

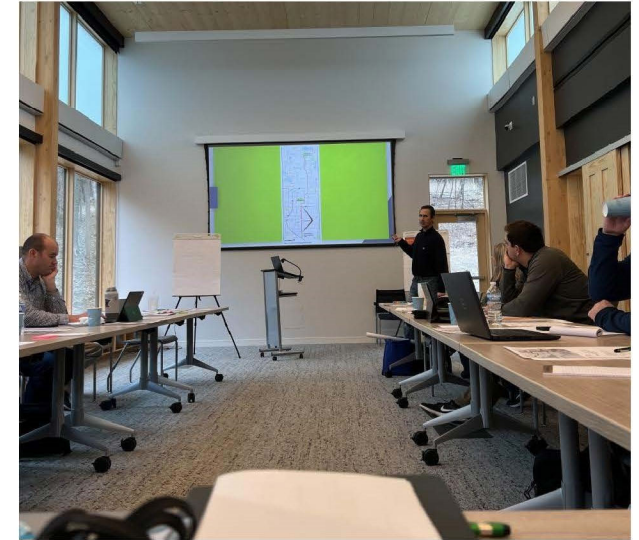
Spring 2023: State legislature approves LOST.

Summer/Fall 2023: City files local approval with Secretary of State and City council adopts resolution accepting LOST

Nov 5, 2024: City conducts referendum during the general election. City council Ordinance imposing LOST

Background

- ***Jan 15, 2022:*** Strategic planning session direction to determine potential benefit of using LOST for Park Improvements
- ***Feb 9, 2022:*** Presentation and council workshop to brainstorm potential projects
- ***Apr 5, 2022:*** Staff brainstorming session to detail project ideas and develop community engagement plan
- ***June - August, 2022:*** Community Engagement



Community Engagement

- Sought out community input to guide the process of determining what projects would be funded by LOST.
- Goal was to ensure the projects would align with the community's desires.



Community Engagement

- More than 2,100 online responses
 - Promoted in the Cottage Grove Reports, Employee Newsletter, at River Oaks, on the website's homepage and more
- Approximately 1,500 survey cards distributed at different events:
 - Community showcase
 - Strawberry Fest parade
 - Discover Cottage Grove Strawberry Fest booth
 - Skoolie
 - CG Middle School Project
 - All Commissions Meeting
 - Parks and recreation events

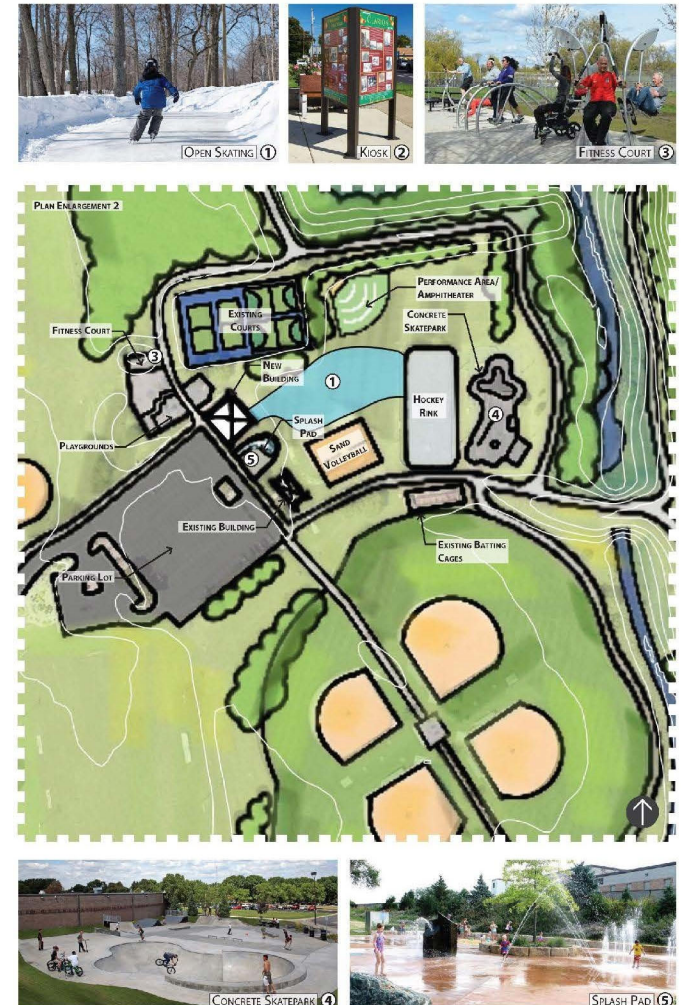


Projects

1. Hamlet Park
2. Mississippi Dunes Park
3. River Oaks Golf Course and Event Center

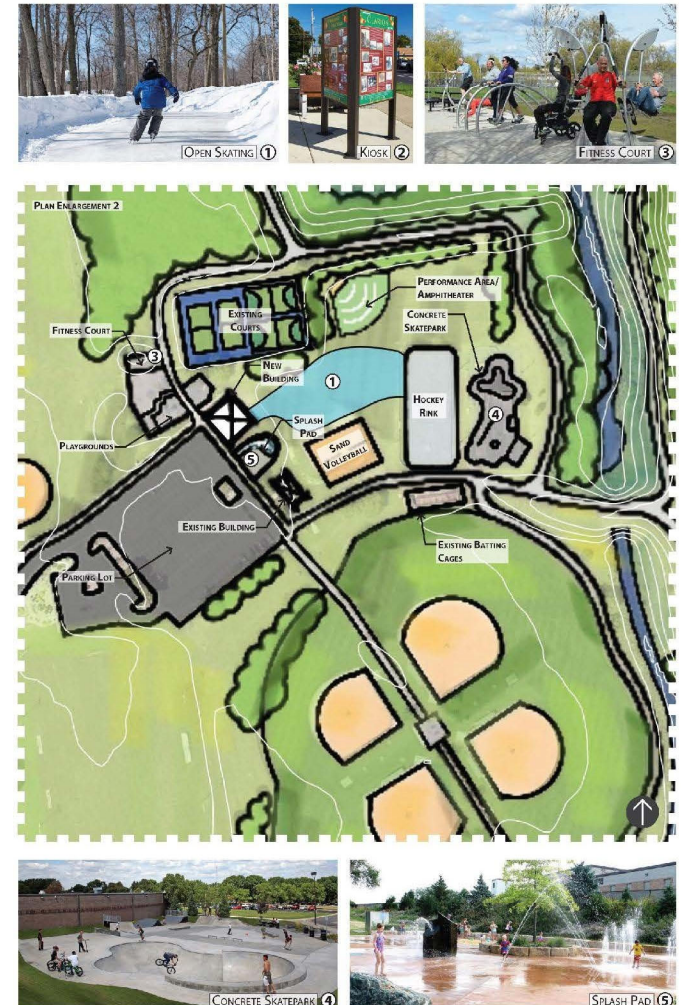
Hamlet Park - \$17M

- Regional significance:
 - Oldest and largest park in Cottage Grove
 - Ample amenities for recreational use including an extensive trail system, sports fields, rinks, courts and a skateboard park



Hamlet Park

- Project Details
 - Synthetic Turf Field
 - South Ballfield Complex Completion
 - Concrete Skateboard Park
 - Amphitheater
 - Art Garden/Walk
 - New Park Building
 - Large Playground
 - Splash Pad (recirculating)
 - Fitness Station/Court
 - North Trail Entrance
 - Landscaping/Monument



Mississippi Dunes Park - \$13M

- Regional Significance
 - Will provide local and non-local visitors with access to the Mississippi River and accompanying recreational features of the park and adjacent public open spaces



Mississippi Dunes Park

- Project Details
 - Trails: Paved, Grass and Rock
 - Interpretive Signage: Nature-Based
 - Small Boat Launch (w/parking)
 - Kayak/Canoe Launch & Storage Area
 - Shoreline/Habitat Restoration
 - Parking Lot
 - Outdoor Classroom
 - Picnic Areas
 - Nature-Based Playground
 - Four-Season Building
 - Grand Lawn Area
 - Terrace/Patio



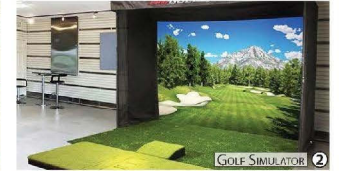
River Oaks - \$6M

- Regional significance
 - Currently one of the premier visitor destinations in Cottage Grove
 - Draw in more visitors with high tech, innovative and premiere options for golfing and entertainment.
 - Operations directly contribute to the sales tax revenue



River Oaks

- Project Details
 - Patio Upgrades
 - Building Addition
 - Connect Clubhouse to Pro Shop
 - Golf Simulators (2)
 - Driving Range Enhancement
 - Himalayan Green
 - Winter Mountain Biking Trail



Phased Options

Tier 1 Improvements - \$18M

Hamlet Park (\$10M)

- Synthetic Field (w/lights)
- Ballpark Complex
- Skateboard Park
- Splash Pad
- Playground

Dunes Park (\$4M)

- Trail System
- Small Boat Launch Area
- Canoe/Kayak Launch & Storage
- Picnic Areas
- Shoreline/Habitat Restoration

River Oaks (\$4M)

- Patio Upgrades
- Building Upgrades w/Simulators
- Winter Mountain Bike Trail

Tier 2 Improvements - \$10M

Hamlet Park (\$5M)

- New Building
- Amphitheater
- Artwalk/garden

Dunes Park (\$3M)

- Nature-Based Playground
- Outdoor Classroom
- Interpretive Info
- Parking Lot

River Oaks (\$2M)

- Driving Range Enhancement
- Himalayan Practice Green

Tier 3 Improvements - \$8M

Hamlet Park (\$2M)

- North Trail Entrance
- Fitness Equipment/Court

Dunes Park (\$6M)

- Four-Season Building
- Grand Lawn
- Terrace/Patio

Financial Analysis

- Preliminary estimate of annual sales tax of \$1,209,000
- Total estimated revenue of \$14,625,000 based on a 20-year payback.
- Ehlers recommends 20-year bonds for these projects, but are researching feasibility of 25-year bonds.
- Inflation is included in project costs.
- Identified projects should be valued higher than projected sales tax revenue due to unknown sales growth.

U of M Local Option Sales Tax Study (\$3K)

- Overview of CG Economy
- Taxable Sales Trend Analysis (1990-2020)
- Hypothetical Sales Tax Analysis for Years 2018-2020
- Future Sales Tax Proceed Projections
- Revenue Category Projections
 - Permanent Residents vs Visitors, Travelers & Seasonal Residents
- Written Report of Findings
- Public Presentation of Findings

Timeline: January – March 2023

Legislative Support Services (\$20K)

- Develop and Execution of Legislative Strategy
- Drafting of Legislation and Amendments
- Securing Bill Authors
- Direct Lobbying
- Creation of Handouts/Materials for Committee Hearings
- Monitor Omnibus Tax Bill Progress
- Coordinate Testimony at Legislative Hearings

Timeline: January – December 2023

City Council Resolution Details

- City is proposing a 0.5% sales tax for recreational improvements at Hamlet Park, Mississippi Dunes Park and River Oaks Golf Course & Event Center.
- City estimates that the tax will generate \$36M before it expires and the tax will remain in effect for 25 years.
- City Administrator is authorized and directed to prepare a ballot question according to law and Notice of Election.
- City Council requests MN State Legislature passes legislation permitting the local option sales tax.
- City acknowledges the City is prohibited from an additional local option sales tax until one year after expiration of this sales tax.

Ballot Question in Resolution

Shall the City of Cottage Grove, Minnesota be authorized to impose a sales and use tax of one-half of one percent (0.5%) to finance improvements to Hamlet Park including trails, park equipment, and plant/garden material; improvements to River Oaks Golf Course including pathways, golf simulator, greens, and buildings; and development of a new park at property formerly known as Mississippi Dunes including trails, buildings, lighting and boat launches?

Next Steps

- January 11, 2023: Receive Council Direction
- January 18, 2023: Adopt resolution, authorize lobbyist & tax analysis study
- January 2023 – September 2024: Create communication plan & materials
- October 2024: Public Communication on Proposal
- November 2024: Referendum
- Winter 2024-2025: Develop Project Plans & Specifications
- Spring 2025: Commence Work

December 22, 2022

Zac Dockter
Parks and Recreation Director
City of Cottage Grove
12800 Ravine Parkway South
Cottage Grove, MN 55016

Mr. Dockter,

Thank you for your inquiry regarding legislative services for the 2023 legislative session. This letter serves as both proposal and agreement for Flaherty & Hood, P.A. to provide services related to the City of Cottage Grove's request to the legislature to authorize a local option sales tax during the 2023 session.

Flaherty & Hood is well positioned to assist the City of Cottage Grove in seeking a local option sales tax authorization from the legislature. Flaherty & Hood has deep experience working on local sales tax issues for communities across the state. Over the years, we have worked with the cities of Rochester, Mankato, North Mankato, Moorhead, Waite Park, Cloquet, six St. Cloud area cities that have a joint sales tax, among others. There are very few firms with as much experience in local option sales taxes, food and beverage taxes, and lodging taxes as Flaherty & Hood.

Scope of Services

In order to successfully secure passage of your local option sales tax, Flaherty & Hood staff will assist the City of Cottage Grove with the following legislative activities:

- Developing and executing a legislative strategy
- Drafting necessary legislation and amendments
- Securing bill authors
- Direct lobbying of committee chairs, key legislators, and the Walz administration
- Creation of handouts and other materials for committee hearings
- Monitoring progress of the omnibus tax bill through the legislative process
- Coordinating testimony at legislative hearings

Project Management and Costs

Senior Lobbyist Erik Simonson will have day-to-day responsibility for advancing Cottage Grove's sales tax project and will be assisted by firm members Shane Zahrt and Bradley Peterson. Mr. Simonson is a former state legislator with deep experience at the legislature on various tax issues. Mr. Peterson will have ultimate responsibility for service delivery on behalf of the Firm. Other staff will be available to assist as needed.

Total fee for service would be \$20,000. This is a flat rate fee that will be billed in four increments of \$5,000 starting February 2023, with additional invoices sent in March, April, and May. We are open to discussing a different schedule of payments if requested by the city.

Term of services would commence upon approval of the Cottage Grove City Council and would run through December 31, 2023. Either party may terminate this agreement with written notice to the other

party. Should a termination occur, the City of Cottage Grove will be responsible for any invoices sent to the City at the time of the termination.

By entering into this agreement, the City understands that Flaherty & Hood, P.A. represents other cities seeking provisions in the Omnibus Tax Bill. Flaherty & Hood advocates for each client's interest strenuously on its own merits. We do not believe that there is any conflict between our representation of Cottage Grove and other cities that may be seeking a local option sales tax. If we believe a conflict has arisen, we will immediately be in touch with both clients and seek to resolve the conflict to the satisfaction of both parties.

Conclusion

Flaherty & Hood, P.A. is pleased to provide legislative services to the City of Cottage Grove for the 2023 session, and we are confident that we can have a significant impact in advancing your interests.

If the proposal contained in this letter meets your approval, please sign and return one copy to Flaherty & Hood, P.A. and retain a copy for your records.

Very truly yours,

FLAHERTY & HOOD, P.A.

By:



Bradley Peterson, Shareholder Attorney

Accepted By:

Myron Bailey, Mayor

Additional Authorized Signature



For Internal Use Only Depts must provide:	
ESAF #	
Chart/Field Account No.	- -
Customer ID #	

For Internal Use Only OES must provide:	
OES Contract #	
Analyst	

UNIVERSITY OF MINNESOTA SERVICES AGREEMENT

THIS SERVICES AGREEMENT (the “Agreement”) is between the Regents of the University of Minnesota (the “University”), a Minnesota constitutional corporation, and City of Cottage Grove, a local unit of government (the “Company”). This Agreement is entered into by University through its Extension Center for Community Vitality.

The parties agree as follows:

1. Description of Services. University shall perform the following services for Company:

The University will conduct a Local Option Sales Tax (LOST) study for the City of Cottage Grove. The result will be a report that summarizes the following: a) an overview of the Cottage Grove economy from the available data, b) a trend analysis of taxable sales in Cottage Grove from 1990 to 2020 or for the years and industry categories where data is available, c) estimates of tax proceeds generated at different levels of local option sales tax taxation for the City of Cottage Grove, d) an estimate of what proportion of the local option sales tax proceeds may be paid by permanent, year-round residents vs visitors, travelers and seasonal residents for the City of Cottage Grove, e) changes occurring from 2016 to 2020 and in what sectors, and f) a hypothetical analysis of taxes generated by implementing a 0.5% local sales tax for the years 2018, 2019 and 2020. Study findings will be presented in a concise report. An Extension educator will be available for a public presentation and Q&A about the study at the request of the City of Cottage Grove following University of Minnesota Covid-19 guidelines.

(“Services”). Reference to Services in this Agreement shall be deemed to include any deliverables provided to Company in connection with the Services, including without limitation, reports, results, materials, products, and information.

2. Compensation. For the Services performed under Section 1, Company shall pay University three thousand and 00/100 Dollars (\$3000.00), plus any sales or use tax if applicable.

2.1 The compensation shall be paid in the following manner:

% upon the signing of this Agreement, with the balance payable as follows (check one of the boxes below):

☐

monthly, based on work completed; or

☒

upon completion of the Services by University.

2.2 Invoices shall be payable net 30 days from date of invoice and sent to:

University of Minnesota Extension
Attn: Rick Konkel
433 Coffey Hall
1420 Eckles Avenue
St. Paul, MN 55108-6070
Phone No.: 612-624-5429
Email: firis001@umn.edu

In the event the compensation is not a fixed firm price for the services, but instead is set forth on an attached schedule and contains published rates, the University reserves the right to modify the fees set forth thereon effective July 1 of each year of this Agreement.

3. Term. The term of this Agreement shall commence on **1.9.2023** (“Effective Date”) and shall expire on **4.28.22** unless terminated earlier as provided in Section 4.

4. Termination. Either party may terminate this Agreement if the other party (i) fails to perform any material obligation under this Agreement and (ii) does not correct such failure within seven (7) days after having received written notice of such failure. Additionally, either party may terminate this Agreement for its convenience upon thirty (30) days’ prior written notice to the other party. Upon any termination under this Section 4, Company shall promptly pay University for all Services rendered and costs incurred up to and including the effective date of termination.

5. DISCLAIMER OF WARRANTIES. UNIVERSITY MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE CONDITION, ORIGINALITY OR ACCURACY OF THE SERVICES PERFORMED OR DELIVERABLES PROVIDED UNDER THIS AGREEMENT. UNIVERSITY EXPRESSLY DISCLAIMS WARRANTIES OF MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE.

6. LIMITATION OF LIABILITY FOR BREACH OF CONTRACT. IN NO EVENT SHALL EITHER PARTY’S LIABILITY FOR BREACH OF THIS AGREEMENT INCLUDE DAMAGES FOR WORK STOPPAGE, LOST DATA, OR INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFIT), OF ANY KIND. EXCEPT FOR EACH PARTY’S OBLIGATIONS UNDER SECTIONS 8.1 AND 8.2, EACH PARTY’S LIABILITY TO THE OTHER FOR BREACH OF THIS AGREEMENT SHALL NOT EXCEED AN AMOUNT EQUAL TO THE MONETARY CONSIDERATION PAID TO UNIVERSITY UNDER THIS AGREEMENT.

7. Use of University Name or Logo. Company agrees not to use the name, logo, or any other marks (including, but not limited to, colors and music) owned by or associated with University or the name of any representative of University in any sales promotion work or advertising, or in any form of publicity, without the prior written permission of University in each instance. However, Company may use the name of University in a document required to be filed with, or provided to,

any governmental authority or regulatory agency to comply with applicable legal or regulatory requirements. Company agrees to provide University with a copy of any such document.

8. Indemnification.

8.1 Except as provided in Section 8.2, each party shall be responsible for its own acts and omissions and the results thereof and shall not be responsible for the acts of the other party and the results thereof. Liability of University is subject to the terms and limitations of the Minnesota Tort Claims Act, Minnesota Statutes Section 3.736, as amended.

8.2 In the event of (i) use by Company (or any third party acting on behalf of or under authorization from Company) of the Services or any information, reports, deliverables, materials, products or other results of University's work under this Agreement or (ii) Company's infringement of a third party's intellectual property rights or Company's violation of any law, rule, or regulation in the provision of any materials to University, then Company shall indemnify, defend, and hold harmless University, its regents, faculty members, students, employees, agents, contractors, and authorized volunteer workers against any and all claims, costs, or liabilities, including attorneys' fees and court costs at both trial and appellate levels, for any loss, damage, injury, or loss of life (other than that attributable to willful, wanton or grossly negligent acts or omissions of University) arising out of such events. The University shall provide Company with prompt written notice of any such claim and reasonably work with Company in any defense of such claim.

8.3 Each party represents that it has and will continue to have at least the following levels of insurance during the term of this Agreement: (i) as to University, Workers' Compensation in statutory compliance with Minnesota law and General Liability insurance in an amount not less than \$1,000,000 each claim/\$3,000,000 each occurrence; and (ii) as to Company, General Liability insurance in an amount not less than \$1,000,000 each occurrence/\$2,000,000 annual aggregate. Certificates of all insurance detailed above shall be furnished to the other party upon request.

9. Export Controls.

9.1 Company shall not convey export-controlled technical data, technology, commodities, or software on the U.S. Munitions List, 22 C.F.R. pt. 121, or the Commerce Control List, 15 C.F.R. pt. 774, to University without the prior written consent of University's Export Controls Officer (J. Patrick Briscoe, bris0022@umn.edu, 612-625-3860). University shall have the right to decline export controlled information or tasks requiring production of such information. If the Services cannot reasonably be performed without University access to export-controlled items, the Agreement may be terminated by either party for convenience in accordance with Section 4, except that such termination shall occur immediately upon written notice to the other instead of at the end of the 30-day period set forth in Section 4.

9.2 Company represents that the items being procured (a) are not specifically designed or modified for military purposes or specifications, and (b) will not be used in connection with the development or use of any missiles or chemical, biological, or nuclear weapons.

10. General Provisions.

10.1 Amendment. This Agreement shall be amended only in writing duly executed by all the parties to this Agreement.

10.2 Assignment. The parties may not assign any rights or obligations of this Agreement without the prior written consent of the other party. Any assignment attempted to be made in violation of this Agreement shall be void.

10.3 Entire Agreement. This Agreement (including all documents attached or referenced) is intended by the parties as the final and binding expression of their agreement and as the complete and exclusive statement of its terms. This Agreement cancels, supersedes and revokes all prior negotiations, representations and agreements between the parties, whether oral or written, relating to the subject matter of this Agreement, including without limitation, any non-disclosure agreements. The terms and conditions of any purchase order or similar document submitted by Company in connection with the services provided under this Agreement shall not be binding upon University.

10.4 Force Majeure. No party to this Agreement shall be responsible for any delays or failure to perform any obligation under this Agreement due to acts of God, strikes or other disturbances, including, without limitation, war, insurrection, embargoes, governmental restrictions, acts of governments or governmental authorities, and any other cause beyond the control of such party. During an event of force majeure the parties' duty to perform obligations shall be suspended.

10.5 Governing Law and Jurisdiction. The internal laws of the state of Minnesota shall govern the validity, construction and enforceability of this Agreement, without giving effect to its conflict of laws principles. All suits, actions, claims and causes of action relating to the construction, validity, performance and enforcement of this Agreement shall be in the courts of Hennepin County, Minnesota.

10.6 Independent Contractor. In the performance of their obligations under this Agreement, the parties shall be independent contractors, and shall have no other legal relationship, including, without limitation, partners, joint ventures, or employees. Each party's employees (i) shall be regarded as the employees of such party and shall not be regarded as the employees of the other party; (ii) shall be subject to the employment policies and procedures of such party and shall not be subject to the employment practices and procedures of the other party; and (iii) shall not be entitled to any employment benefits of the other party. Neither party shall have the right or power to bind the other party and any attempt to enter into an agreement in violation of this Section 10.6 shall be void. Neither party shall take any actions to bind the other party to an agreement.

10.7 Notices. All notices and other communications that a party is required or elects to deliver shall be in writing and shall be delivered personally or by a recognized courier service or by United States Mail (first-class, postage pre-paid, certified return receipt requested) to the other party at the following addresses. Such notices and other communications shall be deemed made

when delivered; submitted to the courier service; or, with respect to U.S. mail, three days after mailing.

If to University:

Attn: Eric King
2001 Plymouth Ave N
Minneapolis, MN 55411

Phone No.: 612-310-7952
E-mail Address: kingx953@umn.edu

With a copy to:

University of Minnesota
Office of the General Counsel
Attn: Transactional Law Services Group
360 McNamara Alumni Center
200 Oak Street SE
Minneapolis, MN 55455-2006
E-Mail: contracts@mail.ogc.umn.edu

With a copy to:

University of Minnesota
Office of External Sales
295 West Bank Office Building
11300 South Second Street
Minneapolis, MN 55454
E-Mail: extsales@umn.edu

If to Company:

City of Cottage Grove
Attn: Zac Dockter
8635 W Pt Douglas Rd South
Cottage Grove, MN 55016
Phone No.: 651-458-2808
E-mail Address: zdockter@cottagegrovemn.gov

10.8 Taxes and Similar Fees. In addition to the payment obligation in Section 2, Company is responsible for the payment of any and all income, sales, use, consumption, value added, excise, custom duties or other taxes and similar fees in connection with this Agreement, levied or required to be withheld from payment(s) to University by any taxing authority or any other body having jurisdiction under any present or future laws. To the extent that Company is required to withhold or deduct taxes or similar fees on any payment to be made to University, then the amount payable shall be increased by the amount that will result in University receiving a net payment in the amount it would have received absent such withholding or deduction. If University is required to pay any of such fees and/or taxes or any related penalties or interest, then any such payments shall be reimbursed to University by Company.

10.9 Breach; Attorneys' Fees. In the event it fails to perform any of its obligations under this Agreement, Company shall reimburse University for all University's costs and expenses

(including reasonable attorneys' fees, court costs, and costs of investigation) to enforce this Agreement, regardless of whether a suit or action had been commenced or concluded.

10.10. Survival. Upon termination or expiration of this Agreement, Sections 2, 5, 6, 7, 8, 9, and 10 shall survive.

IN WITNESS WHEREOF, the parties have entered into the Agreement as of the dates indicated below. Each individual signing below represents that they have the authority to bind the party on whose behalf they are signing.

Regents of the University of Minnesota

City of Cottage Grove Minnesota

By: _____

By: _____

Name: _____

Name: Zac Dockter

Title: _____

Title: Parks & Recreation Director

Date: _____

Date: _____