



March 23, 2023

Chair Murphy and Members of the Senate State and Local Government and Veterans Committee,

On behalf of the 837 member cities of the League of Minnesota Cities, we appreciate the opportunity to share written testimony regarding the League's positions on provisions contained in the SF 1424 (SCS1424-A3) amendment.

**Expanded investment authority.** The League supports the additional investment authority for AA-credit rated local units of government in Article 2, Sections 1 to 3 and for the local government insurance trusts in Article 2, Section 4. Currently, cities and counties have a limited number of investment options such as U.S. Treasuries, highly rated U.S. Government Agencies, highly rated state and local municipal bonds, and certificates of deposit from banks that are FDIC-insured. These investments work well for short-term investments of a few months to a few years for purposes such as cash to pay operating expenses between the time a local government receives property tax payments. However, these fixed-income investments do not work as well for long-term investments such as when a city is setting aside long-term capital funds to pay for replacing a water treatment plant or for local government insurance pools who are paying workers compensation benefits to an injured employee over 15 years or more years.

The additional authority included in this bill will allow cities to invest up to 15 percent of certain funds held for long-term capital plans with the State Board of Investment or in certain index mutual funds, similar to the authority currently provided to AAA-rated cities and would allow local government insurance trusts to invest similarly to the State Board of Investment.

**Special Service Districts.** The League supports the inclusion of the Article 2, Sections 7 through 12, which updates statute to allow Special Service Districts the option include qualified multi-family residential properties in the existing petitioning process for the provision of special services. Cities across the state use special service districts at the behest of properties to provide an increased level of special services not ordinarily provided throughout the city from general fund revenue. While existing statute was intended to address commercial downtown cores, the language no longer reflects the mixed-use reality of many contemporary city centers. Currently, the cost burden for special services in a district can only fall on commercial property owners despite many residential properties and mixed-use buildings enjoying the services provided by a district.

**Municipal hotel licensing.** While the League does not have an specific policy regarding municipal hotel licensing, the League is generally supportive of Article 2, Sec. 13 as it aims to provide cities additional tools to respond to hotels that significantly overburden public safety due to criminal activity such as human trafficking, robberies, assault, and illegal drug activity. Some cities have sought individual legislation to achieve this authority, though other cities have reported similar

challenges with certain hotels. This provision would allow cities to address bad actors that routinely place significant strain on public safety.

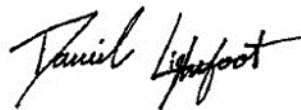
**Compensation limit repeal.** The League supports the repeal of the local government compensation limits in Article 2, Sections 14 and 17. Currently, this law, which is unique to Minnesota, limits the total compensation (salary plus certain benefits) for an employee of a political subdivision to no more than \$206,939 per year, beginning January 2023. The compensation cap not only directly impacts specific positions requiring expertise, educational attainment and experience such as chief administrative, technology and finance positions, in many jurisdictions the cap also results in salary compression challenges for other positions within the local government. The existing waiver process is not a solution to the issues created by the cap. The process is time-consuming, and decisions are not always timely. Despite local official's efforts to secure specific waivers, many past requests were deemed unnecessary, unneeded or approvals were authorized below the request of the jurisdiction creating immediate challenges for city and county employers. The League is asking to allow these important employment decisions to be made at the local level.

We appreciate the committee's consideration of this letter.

Sincerely,



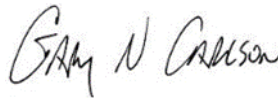
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