




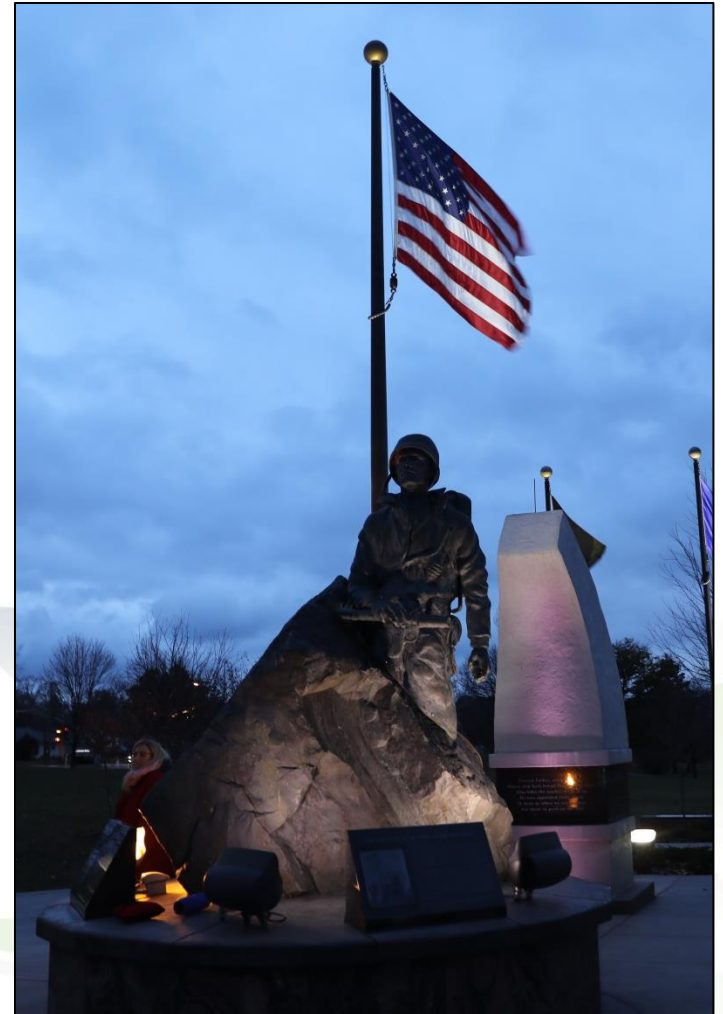
# Richfield Local Sales Tax Discussion

City Council Work Session  
September 27<sup>th</sup> 2022



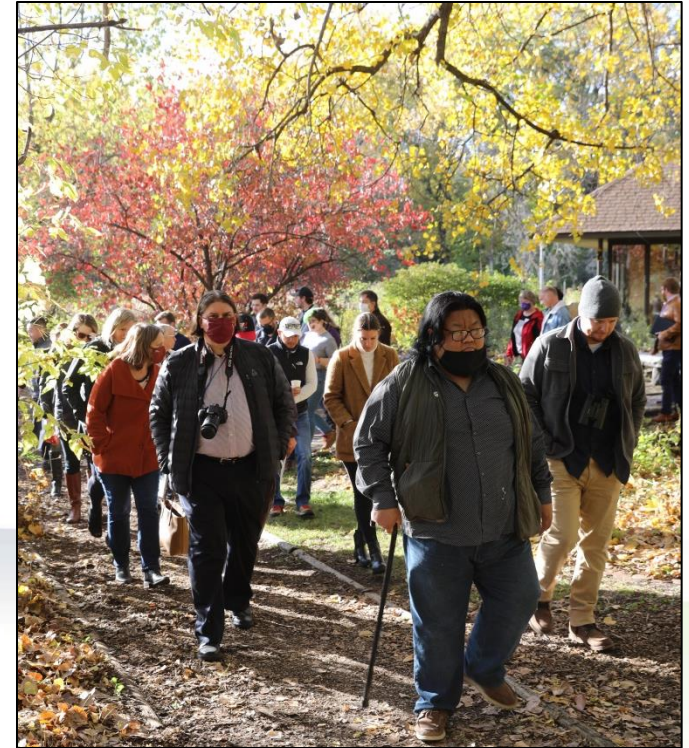
# What is being discussed tonight?

- Direction from City council on if we should pursue a Local Sales Tax
- What is a Local Sales Tax
- What can a Local Sales Tax fund
- Starting the Local Sales Tax process
- Findings from University of Minnesota Extension
- Overview of possible projects
- Direction from council on next steps



# What is a Local Sales Tax?

- Per Minnesota state statute, local governments, except for counties, are generally prohibited from imposing sales taxes
- In special cases, the legislature may authorize cities to use a Local Sales Tax (LST) to fund specific projects
- A LST places a tax on a certain sales or services with the municipality
- This tax is generally set at 0.5% (one-half percent)
  - 5 cents in tax on a \$10 purchase



# What can a Local Sales Tax fund?

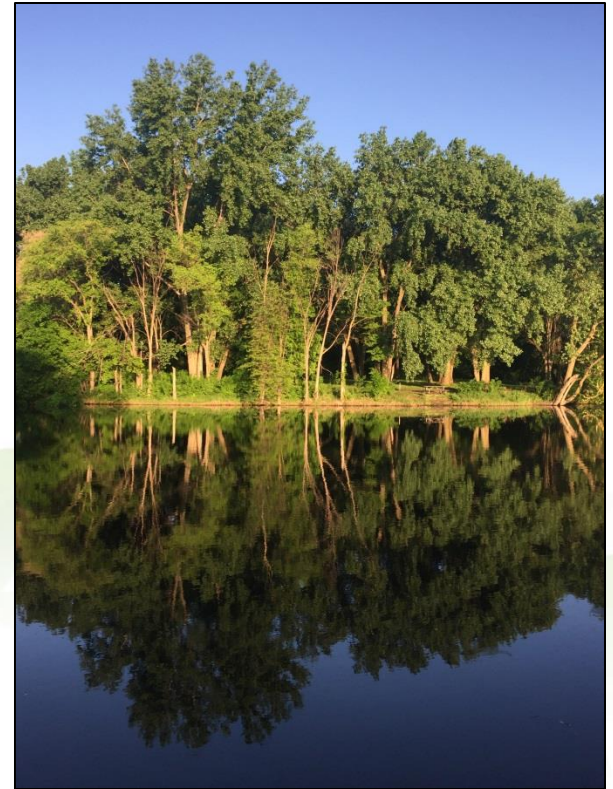
- Up to five specific capital projects of regional significance to fund through a LST. Minn. Stat. § 297A.99 defines a "capital project" or "project" as:
  - A single building or structure including associated infrastructure needed to safely access or use the building or structure;
  - Improvements in a single park or named recreation area; or
  - A contiguous trail.
- Projects of regional significance are defined as providing an economic or use benefit to residents, businesses, and visitors from outside the city





# What can a Local SalesTax fund?

- The projects must also include the length of time the funding will be in effect
- Examples from other cities include:
  - Funding for park improvements (Edina),
  - Community center expansion and renovation (Maple Grove),
  - Police station and public works facility updates (Oakdale)
- Cannot fund road improvements
- Currently, 43 cities impose some sort of LST



# Why a Local Sales Tax for Richfield?

- Provides additional long term funding for future large-scale public projects
  - Estimated 2022 forecast is \$2.8- \$3.4 million annually
- Comparing LST to Property Taxes
  - The Local Sales Tax is less of a burden than the property tax to build these improvements
  - Recognizes regional importance of projects
- Specific projects are approved by residents through a referendum at the next general election
- If council proceeds with a LST, referendum will occur at a general election, Nov. 2023 or 2024

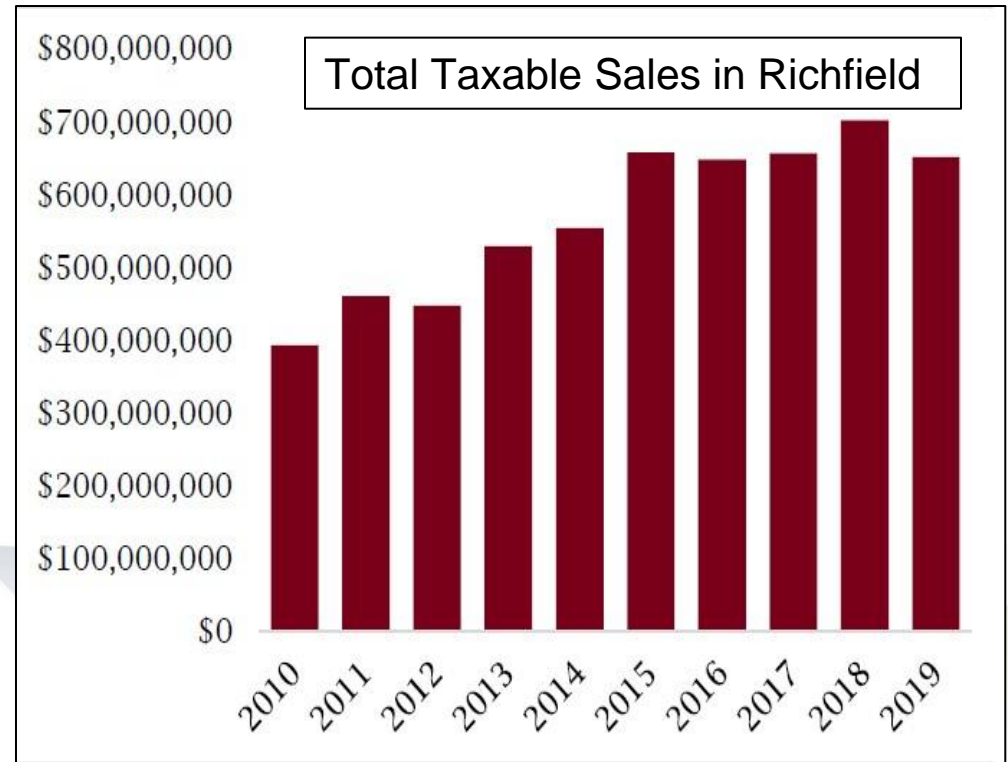


# How to start the process?

- Entered into an agreement with the University of Minnesota's Extension Center for Community Vitality to perform a LST analysis for Richfield
  - analyses for many neighboring communities including: Maple Grove, St. Louis Park, Oakdale, Bloomington, and Edina.
- This LST study evaluated a number of items including:
  - projection for estimated taxable sales in the community.
  - estimated taxable sales generated by non-residents.
  - the City's sales tax sector distribution.
  - a summary of the taxable retail and service sales by comparable communities for subsequent years once a local option sales tax was implemented.
  - an estimate for the total revenue per year from a LST in Richfield
- Eric King, University of Minnesota Extension will provide a summary of findings

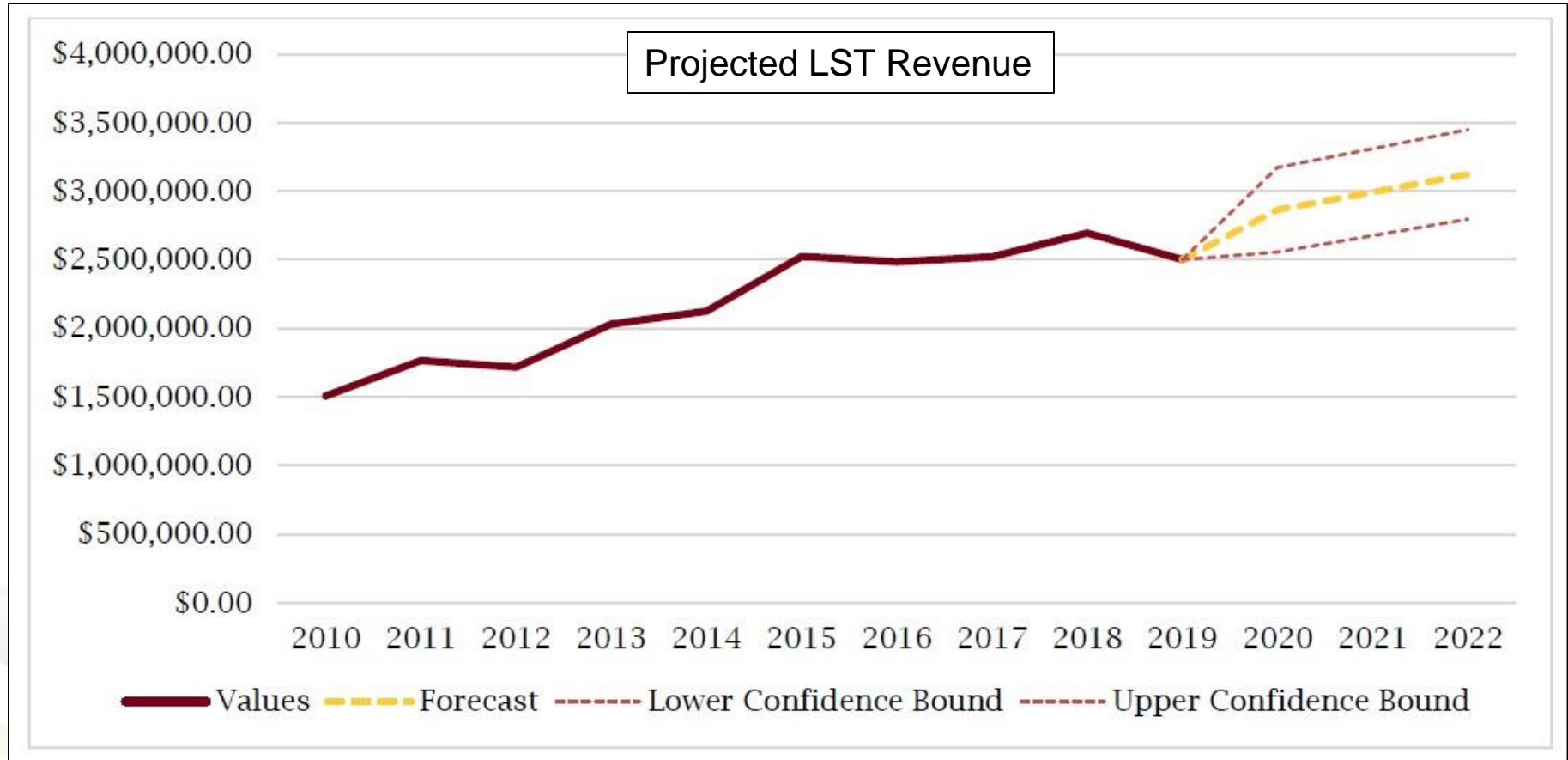
# University of MN Findings

- In 2019, total taxable sales in Richfield were \$652 million (\$808 Million in 2020)
- \$500 million would be subject to a LST- MN Revenue
- Estimated 54.5% of the LST will be paid by non residents





# University of MN Findings



- Conservative estimated 2.8- \$3.4 million annually if assume a .5% tax

# Possible Projects

- **Wood Lake Nature Center**  
Estimated Project Timeline- 2025-2026  
Total Project Costs- **\$15.1M** (with \$10M in partner funding for building)  
Total Project Costs- **\$25.1M** (without partner funding for building)  
Project Includes: new building, improved trails and dredging
- **Veterans Park Complex**  
Estimated Project Timeline- 2026-2030  
Total Project Costs- **\$8.1M**  
Project Includes: Aquatics Improvements, Arena, Park Improvements, Bandshell, Pavilion, Mini-golf
- **Donaldson Park**  
Estimated Project Timeline- 2026-2028  
Total Project Costs- **\$4.0M**  
Project Includes: Park upgrades, Fields, Building, Parking Lots
- **Taft Park**  
Estimated Project Timeline- 2028-2030  
Total Project Costs- **\$9.53M**  
Project Includes: Park upgrades, Fields, Building, Parking Lots
- **Park Trail System Improvements**  
Estimated Project Timeline- 2031-2035  
Total Project Costs- **\$4.23M**  
Project Includes: solar lighting, cohesive signage, trail resurfacing, vegetation plantings and improvements
- **Richfield Community Center Upgrades and Improvements**  
Estimated Project Timeline- 2025-2026  
Total Project Costs- **\$8.7M**  
Project Includes: General building improvements, ADA upgrades

**Total: \$49.66M (W/10M in partner funding), \$59.66M (W/O)**

# Local Sales Tax Collection Projection- ESTIMATE

Local Sales Tax Summary			
Year	Year of LST	Annual LST	Total LST Collected
2019	N/A	\$2,500,000	\$0
2020	N/A	\$2,556,599	\$0
2021	N/A	\$2,676,035	\$0
2022	N/A	\$2,795,677	\$0
2023	N/A	\$2,901,913	\$0
2024	N/A	\$3,012,185	\$0
2025	1	\$3,126,648	\$3,126,648
2026	2	\$3,245,461	\$6,372,110
2027	3	\$3,368,789	\$9,740,898
2028	4	\$3,496,803	\$13,237,701
2029	5	\$3,629,681	\$16,867,382
2030	6	\$3,767,609	\$20,634,991
2031	7	\$3,910,778	\$24,545,769
2032	8	\$4,059,388	\$28,605,157
2033	9	\$4,213,644	\$32,818,801
2034	10	\$4,373,763	\$37,192,564
2035	11	\$4,539,966	\$41,732,530
2036	12	\$4,712,485	\$46,445,014
2037	13	\$4,891,559	\$51,336,573
2038	14	\$5,077,438	\$56,414,012
2039	15	\$5,270,381	\$61,684,392
2040	16	\$5,470,655	\$67,155,048
2041	17	\$5,678,540	\$72,833,588
2042	18	\$5,894,325	\$78,727,913
2043	19	\$6,118,309	\$84,846,222
2044	20	\$6,350,805	\$91,197,027

Projects funded with bonding will increase the total costs.

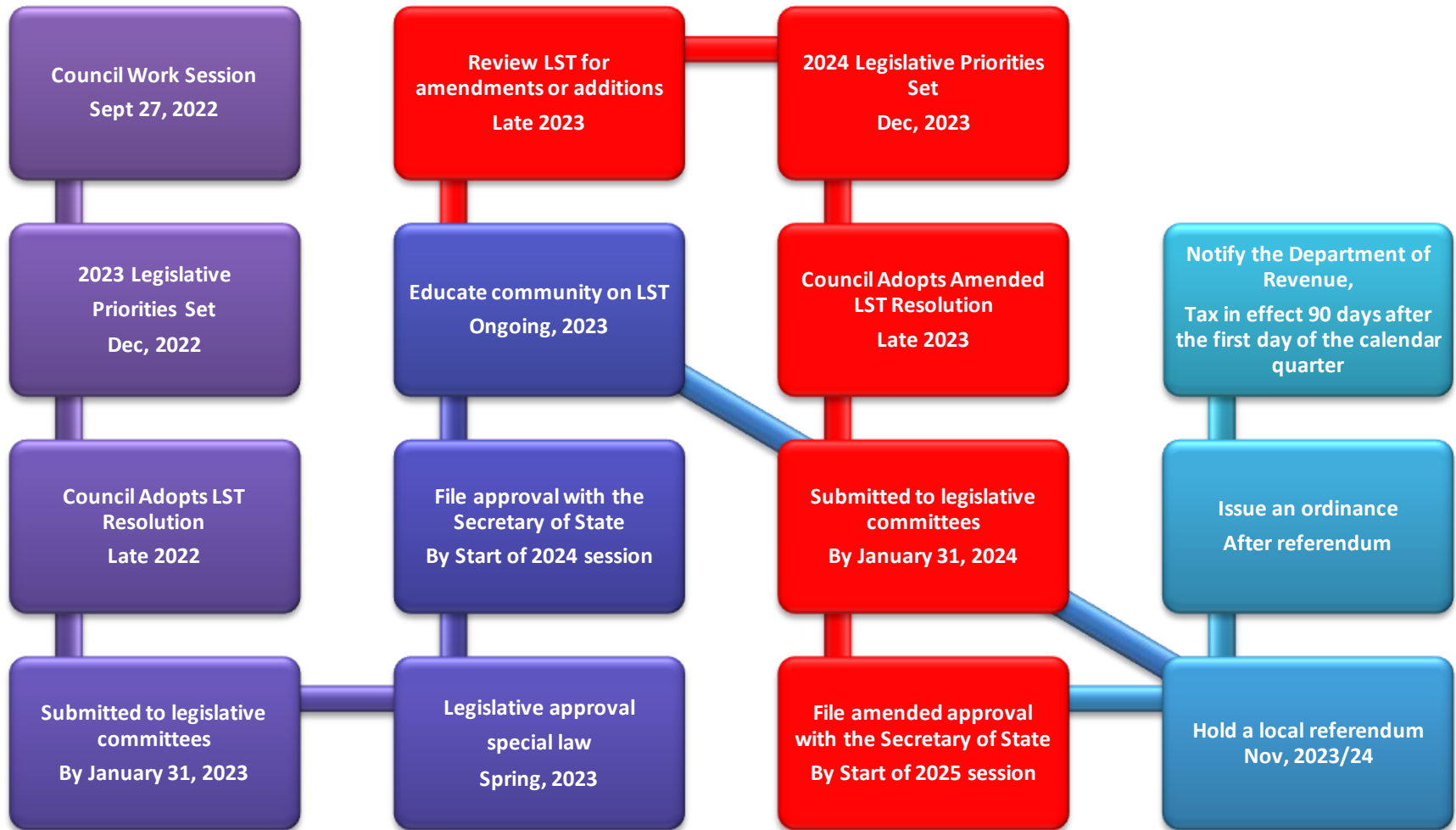


Term	Total Project Cost	With Funding Costs	% increase for bonding
10 years	49,660,000	\$65,551,200	32%
15 years	49,660,000	\$74,986,600	51%
20 years	49,660,000	\$86,905,000	75%

# Questions?



# Next Steps....



Shows process if amendment proposed