INFORMATION MEMO

Budget Guide for Cities

Learn about new state and federal laws that significantly affect city budget decisions for 2017, including annual financial figures for minimum wage, cost-of-living adjustments, local government aid (LGA), and more. This memo discusses the taxation notification procedure and contains fuel excise tax forms, links to sample resolutions adopting a levy, and other forms and worksheets.

RELEVANT LINKS:

I. Basic budget information

This guide presents recent legislative and administrative changes, as of its revision date, which might be considerations in developing a budget for the coming year. Basic budgeting for cities, such as how to compose an annual budget and the legal timeline for budgeting, are not in this guide. Please see chapters 21 and 22 of the *Handbook for Minnesota Cities* for this information.

Handbook, Chapter 21.

See LMC Estimated Expenditures Worksheet.
See LMC Estimated Revenues Worksheet.

Handbook chapter 21 describes what a budget is, and how to use it to communicate to the public. It describes what revenues and expenditures a city must examine as a necessary part of budgeting, other factors that may affect the city's budget, and where to find more information on the budgeting process.

Handbook, Chapter 22.
LMC 2016 Law Summaries, available in late June, 2016.

Handbook chapter 22 gives more background information on taxes and taxation notification law. For information on the new laws affecting cities, see the League's *2016 Law Summaries* available on our website.

II. Local government aid (LGA)

Minnesota House Research Department: Estimated City LGA Amounts for 2017.
More data.

The House Research Department has prepared an estimate of 2017 LGA amounts for cities. City officials should keep in mind that the amounts displayed in the revenue document are estimates only at this point. Aid amounts for 2017 will be certified in July 2016.

III. General government

2016 Minn. Laws Ch. 180, § 2 *to be codified as* Minn. Stat. § 237.045.

Utility infrastructure regulation upon railways. Effective July 1, 2016, there are new requirements concerning new and existing utility infrastructure across or upon railroad right of ways. For purposes of this law, utility infrastructure includes any pipes, sewers, conduits, cables, valves, lines, wires, manholes, and attachments that provide water, gas, electricity, fiber optics, oil or essentially any other "utility."

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RELEVANT LINKS:

Railroads will have more defined authority to review and reject proposed utility crossings, and cities will be responsible for crossing fees as well as supplying insurance policies related to the infrastructure.

Under the new law, a railroad can require an electric utility to conduct an inductive interference study if the facility is for an electric energy transmission line of at least 125 kilovolts, and in accordance with applicable codes and guidelines, the railroad reasonably determines that the proposed facility poses a material possibility of creating induction issues or interference with railroad property. The electric utility must arrange and pay for the study, perform and pay for any costs of modifications to the proposed facility, and pay for any costs of modifications to railroad property that are necessary to ensure safe and reliable railroad operations.

Cities could have to pay to move city utility infrastructure or "facilities" that are across or upon a railroad right-of-way. Under the new law, a railroad can require a utility to relocate these facilities when the railroad determines that "relocation is essential to accommodate railroad operations, and the relocation is not arbitrary or unreasonable." Before agreeing to the relocation, the city may require a railroad to provide a statement and supporting documentation identifying the operational necessity for requesting the relocation. The city must perform the relocation within a reasonable period of time following the agreement and at the city's expense.

2016 Minn. Laws Ch. 189, Art. 6, § 7 *amending* Minn. Stat. § 216B.241, subd. 1c

Municipal utility infrastructure improvement. Effective June 2, 2016, energy savings from electric utility infrastructure projects may be included in a municipal utility's energy conservation plan.

2016 Minn. Laws Ch. 111, § 3 *to be codified as* Minn. Stat. § 462.3593.

Temporary Family Health Care Dwellings of 2016 Allowing Temporary Structures – What it means for Cities.

LMC, Sample opt-out ordinance.

Temporary family health care dwellings. Effective September 1, 2016, residents may apply for a permit to have a temporary dwelling on a property. The dwellings, not to exceed 300 square feet, are permitted for individuals who meet certain health-related criteria. Citizens seeking to obtain an eligible dwelling unit must submit a permit application to the city. Permits are valid initially for six months, but may be renewed one time for another six months. Cities may charge $100 for the initial permit fee, and $50 for the renewal permit fee. Cities who do not want to allow family health care dwellings may choose to "opt-out" of the requirements of this statute by passing an ordinance by September 1, 2016.

2016 Minn. Laws Ch. 99 *to be codified as* Minn. Stat. § 256R.

Nursing facility recodification. There are new requirements for nursing homes involving rate charges, record retention, and a host of other requirements. There are also changes to reimbursements through medical assistance. Cities operating nursing home facilities should be sure to consult the new law to ensure the nursing home practices are consistent with state law.

The new laws also grant the Commissioner of Human Services additional rulemaking authority regarding nursing homes.

RELEVANT LINKS:

2016 Minn. Laws Ch. 87 *to be codified as* Minn. Stat. § 471.3459.

City Spot Café: Surplus Equipment Donation.

Surplus equipment donation. Effective August 1, 2016, cities may donate surplus equipment to one or more nonprofit organizations. Prior to donating the equipment, the city must adopt a policy on how it will determine what equipment is surplus eligible and how it will determine which organizations will receive the equipment. The policy must also include the city's obligations to disclose to the recipient of the equipment that the equipment may be defective and cannot be relied upon for safety purposes.

IV. Taxation notification procedure

Minn. Stat. § 275.065, subd. 1.

Minn. Stat. § 275.066.

The table below outlines the annual taxation notification procedure and deadlines (sometimes called "truth in taxation" or "TNT"). The deadline to adopt the preliminary tax levy and certify it to the county auditor is Sept. 30. The deadline for "special taxing districts," such as economic development authorities (EDAs), housing and redevelopment authorities (HRAs), port authorities, and others, remains Sept. 15.

See LMC model Resolution *Adopting Final Property Tax Levy*.

According to the Department of Revenue, cities with populations of 500 or less and all special taxing districts (except the Metropolitan Council, the Metropolitan Airports Commission, and the Metropolitan Mosquito Control Commission) are exempt from the requirement to hold a meeting with public input prior to adoption of the final levy. All cities, including cities with populations of 500 or less, must still certify proposed property tax levies to the county auditor on or before Sept. 30, 2016, and special taxing districts must do so by Sept. 15, 2016.

Minn. Stat. § 275.07, subd. 1.

All cities and special taxing districts must certify the final property tax levy to the county auditor by Dec. 28, 2016 (five working days after Dec. 20). If this deadline is missed, the final levy for 2016 will stay the same as it was in 2015.

Taxation Notification Summary Chart for Taxes Payable 2017	
Date	**Action**
On or before Sept. 15	Special taxing districts (EDAs, HRAs, port authorities, etc.) must adopt any proposed property tax levy and certify the proposed levy to the county auditor.
On or before Sept. 30	At one meeting, the city council adopts the proposed property tax levy and announces the time and place of a future city council meeting at which the budget and levy will be discussed and public input allowed, prior to final budget and levy determination. This public input meeting must occur after Nov. 24 and must start at or after 6 p.m. The time and place of the public input meeting must be included in the minutes but newspaper publication of the minutes is not required.

RELEVANT LINKS:

Date	Action
On or before Sept. 30	Cities must provide the county auditor with the following information: • The time and place of the meeting at which the budget and levy will be discussed and public input allowed. (Again, meeting must occur after Nov. 24, and must not start before 6 p.m.) • A phone number that city tax payers may call if they have questions related to the auditor's property tax notice; this does not require listing a private phone number. • An address where comments will be received by mail; this does not require listing a private address.
Nov. 11 to Nov. 24	County auditor prepares and sends parcels specific notices.
Nov. 25 to Dec. 28	Cities of population greater than 500 hold meeting (at 6 p.m. or later) to discuss the budget and property tax levy and, before a final determination, allows public input.
On or before Dec. 28	Cities must also file the certificate of compliance (Form TNT) with the Department of Revenue by Dec. 28, 2016.

V. Election judge wages and withholding

26 U.S.C.A. § 3121 (b)(B)(7)(F) (iv). Circular E Employers' Tax Guide (IRS Publication 15). PERA Election Judges.

Income tax withholding. Election judges' pay is exempt from state and federal income tax withholding. Election judges are responsible for declaring the wages as personal income and may have to pay income tax depending on the judge's personal situation—but the city need not withhold income taxes.

Social Security Administration, Election Workers.

Internal Revenue Service, *Election Workers: Reporting and Withholding*.

Federal and/or state tax withholding, including withholding for Social Security and Medicare. If an election judge is paid less than $1,700 in 2016, no Social Security or Medicare taxes are withheld. So cities do not need to issue W-4s for judges earning less than $1,700. At the time of publication, the threshold for 2017 had not been established.

Issuing W-2s. If an election judge earns more than $600 in a year, cities must issue that person a W-2. According to IRS contacts, W-2s may be issued to judges earning less than $600 for software and bookkeeping purposes.

PERA withholding. According to the Public Employees Retirement Association (PERA), election judges are local governmental employees, but the wages earned in these positions are not subject to PERA withholding. For example, if a city employee is also employed by the city as an election judge, the wages earned as a city employee are subject to PERA withholding (assuming the earnings threshold is met).

However, any wages paid for the election judge services must be subtracted from the gross wages prior to calculating the PERA contributions, as the earnings as an election judge are excluded from PERA withholding.

Payroll. The federal government classifies election judges as employees. Therefore, it seems reasonable to pay them through the payroll system, rather than other accounts, to ensure accurate tracking of wages paid to each judge. However, this is offered as a practical tip, not as a requirement in law or rule.

VI. Election law changes

2016 Minn. Laws Ch. 161, Art. 1, § 2 *amending* Minn. Stat. § 203B.081.

Absentee voter administration. Effective May 23, 2016, counties may supply cities a ballot box during the week before an election for purposes of a new absentee voting process. This can mean additional election administration duties to be carried out by the city clerk.

2016 Minn. Laws Ch. 161, Art. 3, § 3 *to be codified as* Minn. Stat. § 204B.181.

Election emergency plans. Effective August 1, 2016, counties are primarily responsible for devising plans to handle an election in the event of an emergency. The plan must be created in consultation with various stakeholders in the jurisdiction and with regard to accessibility among other concerns. Cities may create their own election emergency plan under similar constraints if they so choose. If a city creates its own elections emergency plan, the procedures within the city's elections emergency plan govern in all election emergencies within that city. Each county's plan will be in place by September 1, 2016.

2016 Minn. Laws Ch. 162.

Presidential primary. Effective July 1, 2017, Minnesota will have a presidential nomination primary election starting in the 2020 election cycle. The exact date of the primary is to be determined by the parties, but if not agreed upon will occur on the second Tuesday in March. Election notices and other duties are to follow those of a state primary election.

The costs of this election are to be reimbursed to some extent by the state through the Office of the Secretary of State, including preparation and printing of ballots; postage for absentee ballots; publication of the sample ballot; preparation of polling places in an amount not to exceed $150 per polling place; preparation of electronic voting systems in an amount not to exceed $100 per precinct; compensation for temporary staff or overtime payments; and salaries of election judges.

Within 60 days after the results of a presidential nomination primary are certified by the State Canvassing Board, the city clerk must submit a request for payment of the costs incurred by the city for conducting the presidential nomination primary. The request for payment must be submitted to the secretary of state, and must be accompanied by an itemized description of actual city expenditures, including copies of invoices.

In addition, the clerk must certify that the request for reimbursement is based on actual costs incurred by the city in the presidential nomination primary.

VII. Public safety changes

2016 Minn. Laws Ch. 171 *amending* and *codifying* various sections of Minn. Stat. Ch. 13.

Body cam data storage, policy creation and audits. Law enforcement agencies that use portable recording systems or "body cams" must retain body cam data for various lengths of time depending on the potential use of the data. Storage of this data may incur additional costs.

The current or proposed use of a body cam system by a law enforcement agency requires the agency adopt a policy governing its use following an opportunity for public comment. The policy has specific requirements in the new law and must be posted on the agency's website if it has one.

In addition, the responsible authority for a law enforcement agency must establish written procedures to ensure that law enforcement personnel have access to not public body cam data only if authorized by the police chief and only for a legitimate law enforcement purpose.

Law enforcement agencies must maintain records showing the data and time body cam data was collected and its classification. Under the new law, law enforcement agencies must arrange for an independent audit every two years to determine whether data are appropriately classified and the agency is otherwise complying with the requirements around body cam data.

The new body cam law has an effective date of August 1, 2016. Body cam data collected before then must be destroyed as determined by the new law, no later than 15 days after August 1, 2016. Any agency already using a body cam system must adopt a policy governing its use no later than January 15, 2017.

2016 Minn. Laws Ch. 189, Art. 19, § 10 *amending* Minn. Stat. § 256B.0625, subd. 17a.

Medical assistance payments addressed for some EMS. For services provided after July 1, 2016, medical assistance payments for certain ambulance services are increased by five percent. Capitation payments (fixed, pre-arranged payments made to a provider for each patient subject to a contract) made to managed care plans and county-based purchasing plans for ambulance services provided on or after Jan. 1, 2017 must be increased to reflect this change. This increased rate applies to ambulance services outside the 7-county greater metropolitan area; outside the cities of Duluth, Mankato, Moorhead, St. Cloud, and Rochester; but within a municipality with a population of less than 1,000

2016 Minn. Laws Ch. 189, Art. 19, § 13 *to be codified as* Minn. Stat. § 256B.0625, subd. 60a.

Community emergency medical technicians. Effective January 1, 2017 or pending federal approval, whichever is later, medical assistance may cover "community emergency medical technicians" for various defined services. The services and rate of payment are set by the new law.

RELEVANT LINKS:

VIII. Employment-related changes

2016 Minn. Laws Ch 189, Art. 13, § 54 *amending* Minn. Stat. § 197.455, subd. 1.

2016 Minn. Laws Ch. 189, Art. 13, § 55 *amending* Minn. Stat. § 197.46.

Veteran's preference changes. Effective July 1, 2016, public employers may clearly subject veterans to an initial probationary period as they would non-veterans. Also, the time a veteran has to request a hearing in the event of their removal is reduced from 60 days to 30 days. Following a change last year, the new law clarifies that even if a city has a civil service commission, veterans may now elect to have the hearing held by either the commission or an arbitrator with the Bureau of Mediation Services. The selection process for the arbitrator is included in the change. Also clarified, the government employer must pay the hearing costs regardless of who holds the hearing. If the veteran prevails at the hearing, the government employer must additionally pay the veteran's attorney fees.

2016 Minn. Laws Ch. 110 *amending* Minn. Stat. Ch. 176.

Worker's Compensation Appeals Changes. Effective May 13, 2016, there have been some housekeeping changes to the Worker's Compensation appeals process. The process for claiming attorney's fees has been clarified, while the bond requirement for appeals has been deleted. However, the Worker's Compensation Court of Appeals may require a bond in extraordinary circumstances. The time limit for seeking costs from the losing party in a workers' compensation cases has been increased from five days to ten days. Other changes include changing some electronic health record requirement deadlines, as well as changing the statutory language to ensure consistency.

Final Changes to Federal FLSA Announced.

Federal changes. The Department of Labor recently announced some changes related to the federal fair labor standards act which will have some direct overtime costs for some cities. Effective December 1, 2016, the changes increase the required salary level for an employee to be considered exempt from overtime from the current $455/week ($23,660/year) to $913/week ($47,476/year) in 2016. Therefore, unless the city pays an employee at the higher level, he or she will be eligible for overtime. The salary level will also increase automatically every three years beginning in 2020.

Letter of the Law: Employee vs. Independent Contractor.

Cities might want to re-evaluate how they classify workers (employees or independent contractor) based on recent guidance from the Department of Labor. The agency now largely classifies independent contractors based on an "economic realities test." The League provides a discussion on the various parts of this test and how to work through it to properly classify workers.

A. Optional standard IRS mileage rate

IRS Mileage Rate.

IRS Standard Mileage Rate for 2016 is 54 cents per mile for business miles driven, down from 57.5 cents for 2015.

RELEVANT LINKS:

The IRS normally updates the mileage rates once a year in the fall for the next calendar year. *At the time of publication, 2017 rates are not yet available.*

B. 2017 PERA contribution rates

PERA Contribution rates.

No change was made in contribution rates for basic members in the General Employees Plan or any of the Defined Contribution Plans. The 2017 member and employer contribution rates for those plans remain at the 2016 level.

EMPLOYEE CONTRIBUTIONS 2017	
Defined Benefit Plan (DBP)	**Calendar year 2017**
Basic	9.10%
Coordinated	6.50%
Police and Fire	10.8%
Defined Contribution Plan (DCP)	
Elected Officials	5.00%
Physicians	5.00%
City Managers/Administrators	6.25%
Ambulance/Rescue Squad Personnel	Rate set by employer
Certain volunteer or on-call firefighters not covered for that service by the PERA Police and Fire Plan or by a relief association under chapter 424A.	7.5% or more made either solely from compensation paid to the firefighter or through a combination of member and employer contributions.

EMPLOYER CONTRIBUTION RATES 2017 DEFINED BENEFIT PLAN	
Plan	**Rate**
Basic	11.78% see footnote one
Coordinated	7.50% see footnote two
Police and Fire	16.2%
1 This represents the employer match of the Basic Plan employee deduction (9.10%) and an employer additional amount at 2.68%. 2 This rate represents the employer match of the Coordinated Plan employee deduction (6.50%) and an employer additional amount of 1.00%.	

RELEVANT LINKS:

EMPLOYER CONTRIBUTION RATES – 2017 DEFINED CONTRIBUTION PLAN	
Plan	**Rate**
Elected Officials/Physicians	5.00%
City Managers/Administrators	6.5%
Ambulance or Rescue Squad Personnel	Rate set by employer
Volunteer or On-call Firefighters not covered for that service by the PERA Police and Fire Plan or by a relief association under chapter 424A.	7.5% or more made either solely from compensation paid to the firefighter or through a combination of member and employer contributions

C. Employee contributions to deferred compensation

Minnesota Deferred Compensation Plan.

Deferred compensation. Please note: Each calendar year in the fall, the IRS updates the annual contribution limits, based on cost-of-living adjustments (COLA). *At the time of publication, 2017 information is not available.*

2016 Annual Maximum Contribution Limits*

Participant age	Contribution Limits
Under age 50	$18,000
Age 50 and over	$24,000
Catch up provision	$36,000

*The maximum deferral amounts change each year due to changes in the COLA, if any. Although the employee contributions to a deferred compensation plan reduce the individual's taxable income, the city will still need to budget for the employer's share of Social Security and Medicare to the same extent that these withholdings would be required on the employee's regular earnings.

D. Social Security and Medicare withholding

See IRS Circular E, Employers' Tax Guide (IRS Publication 15).

See also, Social Security and Medicare Tax Rates.

The 2017 Social Security and Medicare withholding amounts are not available at the time of this publication.

- In 2016, for employers, the Social Security tax rate is 6.2 percent.
- The Medicare tax rate is 1.45 percent.

These numbers are unchanged from 2015.

RELEVANT LINKS:

E. Unemployment costs

Unemployment Insurance Minnesota

A conservative estimate of the amount of unemployment benefits a city may pay a laid off employee is approximately half the employee's average weekly wage, up to the maximum of $658 per week. Most cities are classified as "reimbursing employers." This means the city reimburses the state for unemployment benefits paid out to a former employee.

F. Health and dental insurance costs

Patient Protection and Affordable Care Act Cases.

Cities need to make sure they are complying with the federal Affordable Care Act (ACA). Many of the provisions are already in effect, with more to become effective in the next couple years. On Feb. 10, 2014, the IRS released the final regulations implementing the employer shared responsibility mandate which affects many cities.

Cadillac Tax

Congress passed and President Obama signed the omnibus bill in December 2015 which included a two-year moratorium on the so-called "Cadillac Plan Tax". This new tax will be effective for taxable years beginning January 1, 2020.

The Cadillac Plan Tax is an excise tax (40%), enacted as part of the Patient Protection and Affordable Care Act ("PPACA") that applies to the cost of employer-sponsored health coverage that exceeds certain threshold limits – $10,200 for self-only coverage and $27,500 for family coverage – increased each year after the effective date.

Cities are strongly encouraged to evaluate their health plans to determine if they are going to be subject to the Cadillac Tax as this could have a large impact on cities budgets.

Cash in Lieu of Benefits

The U.S. Department of Labor (DOL) released guidance in 2014 pertaining to employers reimbursing employees for individual health insurance plans, on either a pre-tax or after-tax basis. This new guidance will primarily affect cities that do not meet the definition of "large employer" under the ACA because large employers typically do not offer this type of arrangement.

If your city is offering employees cash (even on an after-tax basis) to reimburse the purchase of an individual health insurance policy, the League encourages cities to stop using this method. More information can be found on the League's website.

IRS FAQs on ACA.

Employers are permitted to disregard seasonal employees when determining employer size if the employer's workforce exceeds 50 full-time equivalent (FTE) employees for no more than 120 consecutive days and the number of employees exceeding 50 during that time were seasonal employees.

RELEVANT LINKS:

Provisions Unique to Small Employers.

While most health care reform provisions apply to employers uniformly, regardless of size, there are a few provisions that may specifically benefit small cities that qualify as small employers. The benefits to small employers include:

- Exemption from penalties since they need not offer coverage.
- Availability of coverage through state exchanges effective Jan. 1, 2014.
- Exemption from reporting health care costs on W-2s.
- The ability to use a SIMPLE Cafeteria Plan.

There are other provisions and compliance issues associated with health care reform for all employers such as requirements for coverage of preventive care, prohibitions against pre-existing exclusions, essential benefits, break times for nursing mothers, and other employee protections.

Health Care Reform, LMC Web site.

The Department of Labor and the IRS continue issuing critical guidance regarding implementation details for health care reform. We recommend you visit the League website for the most up-to-date information and guidance on federal health care reform legislation and pending regulations.

Budgeting for an approximate 15-20 percent increase is probably a reasonable approach for most cities, regardless of the city's health insurance carrier. The small group market could potentially see a 10-15 percent increase due to health care reform requirements. However, actual increases will vary based on the city's own individual claims experience and the extent that the city is "pooled" with other employers. Cities should begin talking to their individual health and dental insurance carriers early about what to expect for their renewal.

Gallagher guidance on 6055 and 6056 Reporting.

The ACA has reporting requirements for providers of health insurance and applicable large employers which must be sent to covered individuals and the IRS which started the beginning of 2016. Cities are encouraged to plan ahead each year to meet the reporting deadlines as they will occur each year.

The CPI for Minneapolis-St. Paul is published semiannually and appears in Tables 34 and 39 of the December and June issues of the CPI Detailed Report.

The CPI for the Midwest went up .8 percent from April 2015 to April 2016. Other methods of adjusting salaries for inflation may also exist, depending upon the particular city, and these may be used instead of the CPI.

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RELEVANT LINKS:

IX. Insurance and dues

A. League Insurance

LMC information memo, Reducing LMCIT Premium Costs

Most cities are members of the League of Minnesota Cities Insurance Trust (LMCIT) for property, liability, auto, and workers' compensation coverage. If your city purchases insurance from a private company, you should ask your provider about insurance coverage options, claim trends, and costs. For cities looking for possible ways to reduce their premiums, the LMCIT risk management memo, Reducing LMCIT Premium Costs, suggests some options.

LMC information memo, Experience Rating in LMCIT's Liability and Work Comp Premiums.

In budgeting for premiums, it is important to also take into account two other factors, in addition to the rates themselves: any changes in your exposures (e.g., payrolls, city expenditures, property values, etc.), and any changes in your city's experience rating (e.g., workers' comp, municipal liability, and auto liability premiums are experience rated). Your city's actual premium costs will be a function of all three—rates, exposures, and experience.

The following are LMCIT's best estimates for what premium rates might look like for 2017. We would stress that these are very early preliminary estimates and are absolutely not guarantees. We need to complete the annual actuarial reviews and other rate development work, and also get a firm indication of reinsurance costs before giving any definite answers on premium rates for 2017. Cities may wish to check back with LMCIT in the fall for an updated outlook on premiums.

Workers' compensation. As has been the pattern for several years now, rising medical costs will likely once again put pressure on work comp premium rates for 2017. Medical costs are the single biggest component of workers' compensation loss costs, and they continue to increase at a faster rate than payrolls. In addition, we saw substantially higher-than-expected development on old claims in second half of 2015. If that pattern continues, it could put some additional pressure on rate levels for 2017. At this point we'd suggest that for budgeting purposes cities allow for a workers' compensation premium rate increase that could be in the 4 to 8 percent range.

Property. LMCIT has had a relatively favorable string of years with respect to property losses; hopefully that pattern continues through 2016. If we were to see significant changes in LMCIT's reinsurance costs, that could affect premium rates since reinsurance costs are a significant part of LMCIT's expense for property coverage, but at this point we think that's unlikely. We're hopeful that we'll be able to keep rates flat for next year, but for budgeting purposes you might want to allow for a 2 to 3 percent increase

RELEVANT LINKS:

Auto physical damage and auto liability. Auto loss costs have been in line with projections in recent years, although there was a minor uptick in 2015. For budgeting purposes, we'd suggest cities allow for an inflation-type increase in the range of 2 percent.

Municipal liability. While the very large number of claims against LMCIT member cities relating to driver's license data in 2013 and 2014 continues to represent a potentially significant and highly uncertain cost, the LMCIT Board's approach has been to cover those costs from existing funds, and since we view this as a unique situation it won't affect future premium levels.

Aside from the driver's license data claims, loss costs in recent years for most types of municipal liability claims haven't been too out of line, so we don't anticipate major changes in the overall level of rates for municipal liability- perhaps only inflation-type increases. But one area where there may be some pressure is police liability. We'd suggest cities allow for possible rate increases in the range of 3 to 7 percent; toward the upper end of that range if you have police, toward the lower end if you don't.

Note some standalone police department and police task force members could see liability premium increases that are even higher. A number of these members are still transitioning to the new liability rating system, which began in 2013. LMCIT has already contacted this group of members to provide a sense of how liability premiums will behave over the next few years, but if there are any questions about a specific member, LMCIT underwriters can provide guidance.

Many factors influence the LMC Board's decision when setting dues, including cities' financial situations, inflation, strategic plan initiatives, non-dues revenue sources, and various other factors

To estimate dues payable Sept. 1, 2017, cities should complete the following three steps:

1. Estimate the city's population for 2015.
2. Use the estimated population from step 1 with the table below to compute the estimated dues payable Sept. 1, 2016.
3. Take the amount calculated in step 2 and increase it by 3.0 percent to estimate the dues payable Sept. 1, 2017.

League dues for the upcoming fiscal year (2017) are billed on Sept. 1, 2016, and cover membership from September 2016-August 2017. The estimated dues payable on Sept. 1, 2016 are computed based on the maximum dues schedule below:

RELEVANT LINKS:

Population	Amount	Per capita rate
249 OR LESS	$396	0
250 - 4,999	$138	1.0456
5,000 - 9,999	$1,091	0.8548
10,000 - 19,999	$2,366	0.7272
20,000 - 49,999	$8,074	0.4418
50,000 - 299,999	$23,900	0.1254
300,000 AND OVER	$40,251	0.0709

Example: If your city's estimated 2015 population is 6,251 residents, your estimated dues payable on Sept. 1, 2016, would be $6,402 ($1,091 + 6,251*0.8548). Based on that calculation, your estimated dues payable on Sept. 1, 2017, would be $6,594 ($6,402*1.03).

Contact Marky Engler at the League at mengler@lmc.org or (651) 215-4021 or (800) 925-1122.

If you need assistance estimating population or dues, call the League's finance director.

X. Excise taxes on motor fuel

IRS Publication 510.
Publication 510 Appendix.
See LMC Certificate of Ultimate Purchaser.
See LMC Diesel Fuel Exemption Certificate.
See LMC Certificate of Buyer of Taxable Fuel.

Cities are exempt from federal excise tax on diesel fuel and gasoline under various sections of the Internal Revenue Code. Cities may make tax-exempt purchases or apply for a refund of taxes paid upon filing certain certificates.