

**City Council  
Agenda Item 14.C  
Meeting of January 12, 2026**



**Title:** Resolution supporting the authority to impose a local sales tax to fund capital improvements

**Report from:** Erik Nilsson, City Attorney  
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**Submitted Through:** Kevin Fox, Fire Chief  
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Kelly O'Dea, Recreation Director  
Julie Wischnack, FAICP, Community Development Director  
Darin Nelson, Finance Director  
Mike Funk, City Manager

**Presenter:** Mike Funk, City Manager

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**Action Requested:** Motion

**Form of Action:** Resolution

**Votes needed:** 4 votes

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**Summary Statement**

The purpose of this agenda item is to support a long-term, strategic conversation regarding Minnetonka's approach to managing aging infrastructure, future assets, and facilities of both local and regional importance. This item represents an exercise in long-range planning, recognizing that decisions made over time related to public facilities and infrastructure will have meaningful and lasting impacts on the Minnetonka community, the region, and the City's overall financial sustainability.

At the City Council's December 22 study session, staff presented preliminary information regarding the potential use of a local sales tax as a funding mechanism for several major capital investments. Following that discussion, the City Council expressed interest in staff bringing forward a formal resolution for consideration. This staff report accompanies that resolution and is intended to provide context, background, and policy considerations for the Council's deliberation.

Importantly, this agenda item does not obligate the City to impose a sales tax or to proceed with any individual project. Rather, adoption of the resolution would authorize staff to seek legislative approval to allow Minnetonka the option to pursue a local sales tax, subject to subsequent City Council action and voter approval.

**Recommended Action**

Motion to adopt one of two resolutions supporting authority to impose a local sales tax of 0.5 percent to fund specific capital improvements of regional significance and to authorize the issuance of sales tax-supported bonds:

- Resolution Option A: Includes a full renovation scope for The Marsh health and wellness center (total estimated project cost of \$116.1 million).
- Resolution Option B: Includes a modified scope of improvements for The Marsh (total estimated project cost of \$97.6 million).

Staff requests that the City Council select one option for adoption to allow staff to proceed with submission of the resolution and supporting documentation to the Minnesota Legislature, consistent with Minnesota Statutes Section 297A.99.

### **Strategic Plan Relatability**

Financial Strength

Meets the desired outcome to expand sources of revenue for Capital Improvement Projects.

### **Financial Consideration**

Yes

Not directly applicable at this time. However, approval of a local sales tax will lead to additional dollars being available for city capital projects.

Both resolutions contemplate the use of a 0.5 percent local option sales tax over a period of up to 30 years to fund voter-approved projects, including associated interest and bond issuance costs. The primary financial distinction between the two options is the total amount of capital investment supported by the tax.

Staff estimates that in either scenario, sales tax revenues at the proposed rate would be sufficient to support the issuance of sales tax-backed bonds and complete the projects within the proposed time frame, subject to final market conditions and voter approval.

From a policy perspective, both options reflect an equitable and fiscally responsible approach for funding infrastructure with substantial regional use. Visitors, commuters, and non-resident users who benefit from these facilities would contribute toward their cost, reducing reliance on property taxes borne solely by Minnetonka residents.

Adoption of either resolution does not commit the City to imposing a tax, issuing bonds, or advancing any project without further City Council action and voter approval. Instead, the resolutions preserve flexibility while allowing the City to seek legislative authority and continue community engagement around infrastructure priorities and funding strategies.

### **Background**

The City of Minnetonka is facing several significant capital needs related to aging facilities, evolving service demands, and investments that support both local residents and a broader regional population. These projects cannot be adequately funded through existing revenue sources without creating substantial pressure on property taxes or displacing other core City priorities.

Minnesota Statutes, Section 297A.99, allows a political subdivision to impose a local sales tax if authorized by special legislation and approved by local voters. Prior to requesting legislative approval, the governing body must adopt a resolution identifying the proposed tax rate, intended uses of the revenue, the regional significance of each project, the estimated total revenue to be raised, and the anticipated duration of the tax.

The resolution before the City Council satisfies these statutory requirements and would allow the City to submit a request to the Minnesota Legislature seeking authority to impose a 0.5 percent local sales tax

to fund a defined set of capital projects.

The City Council is being asked to consider **two alternative resolutions** that differ only in the scope and cost of improvements proposed for The Marsh health and wellness center. All other projects, assumptions, and procedural steps are identical between the two options.

- **Option A – Full Marsh Renovation**

Under this option, the resolution supports a broader renovation of The Marsh, with an estimated project cost of **\$35 million**. When combined with the other four projects, the total estimated capital cost is **\$116.1 million**.

- **Option B – Modified Marsh Improvement Scope**

Under this option, the resolution supports a more limited scope of improvements at The Marsh, with an estimated project cost of **\$16.5 million**. With this modified scope, the total estimated capital cost of all five projects is **\$97.6 million**.

The differences between the two Marsh project scopes, including programmatic elements and cost assumptions, are outlined in **Attachment A**. Staff has provided both resolutions to allow the City Council to indicate its preferred approach as part of this long-range policy discussion.

The five capital improvement projects common to both options include:

- Rebuilding Fire Station 2 (1815 Hopkins Crossroad)
- Rebuilding Fire Station 3 (5700 Rowland Road)
- Completion of high-priority trail segments identified in the City's Trail Improvement Plan
- Renovation or improvement of The Marsh health and wellness center (scope varies by option)
- Development of a community-level park and public space in the OPUS area

Detailed descriptions of each project, including cost estimates and documentation of regional benefit and non-resident use, are included within the resolution. If the City Council adopts one of the proposed resolutions, Minnesota law establishes a clear, multi-step statutory process that must be completed before a local sales tax could be imposed. Adoption of the resolution represents only the first step in that process.

The required steps include:

1. **Adoption of a Resolution by the City Council**

The City Council must adopt a resolution proposing the tax. The resolution must specify the proposed tax rate, documentation of the regional significance of each project, the total amount to be raised, and the estimated length of time the tax would be in effect, consistent with Minnesota Statutes § 297A.99, subdivision 2.

2. **Submission to State Legislative Tax Committees**

Following adoption, the City must submit the resolution, detailed project information, and supporting documentation of regional significance to the chairs and ranking minority members of the House and Senate Taxes Committees and relevant subcommittees by January 31 of the year in which legislative authority is sought.

3. **Legislative Authorization**

The City must secure passage of a special law by the Minnesota Legislature authorizing Minnetonka to enact a local sales tax. This step typically involves coordination with the City's local legislative delegation. Legislative authorization provides authority but does not impose the tax.

4. **Acceptance of the Special Law**

Upon legislative approval, the City Council must adopt a resolution accepting the new law. The City must also file the resolution and a local approval certificate with the Office of the Secretary of State prior to the start of the next legislative biennium.

**5. Voter Referendum**

The City must conduct a referendum at a general election within two years of receiving legislative authority. The ballot must include separate questions for each project, and only projects approved by voters may be funded with sales tax revenues, in accordance with Minnesota Statutes § 297A.99, subdivision 3.

**6. Adoption of an Ordinance and Tax Implementation**

If one or more ballot questions are approved, the City Council must adopt an ordinance imposing the tax and notify the Commissioner of Revenue at least 90 days before the first day of the calendar quarter in which the tax would take effect.

Each of these steps requires separate City Council action and, where applicable, voter approval. Adoption of the resolution before the Council at this meeting positions the City to begin the legislative process but does not commit the City to impose a tax or proceed with any project absent future approvals.

Finally, this agenda item should be viewed within the broader context of Minnetonka's long-term asset management and financial planning efforts. As infrastructure ages and service expectations evolve, the City must consider a range of tools and strategies to responsibly manage public assets. The resolution provides a framework for continued policy discussion and community engagement regarding how Minnetonka invests in facilities that support safety, mobility, health, economic activity, and quality of life.

**ATTACHMENTS:**

[Sales Tax Resolution - Option A - Full Marsh Renovation](#)

[Sales Tax Resolution - Option B - Modified Marsh Improvement Scope](#)

[Marsh Improvement Options](#)

[Addendum](#)