



AGENDA

**City Council Work Session
Monday, October 6, 2025 at 6 p.m.
Minnesota River Room**

1. 2026 Budget Work Session
 - General Fund and Special Revenue Fund
2. Discuss Legislative Initiatives
3. Adjournment



AGENDA RECOMMENDATION

City Council Work Session

1.

Meeting Date: 10/06/2025

Agenda Item:

2026 Budget Work Session

- General Fund and Special Revenue Fund

Recommendation/Action(s):

Discussion.

Summary:

During the work session, we will start walking the Council through the various funds of the proposed 2026 budget. As this is the second year of the two-year budget cycle, we will be focused primarily on changes proposed from the previously adopted plan, planned Capital Improvement Projects for each section, review of Key Performance Indicators (KPIs) for each budget division, and connections to the Strategic Plan. When we talk about the Strategic Plan connections, you will hear what has been accomplished or implemented and what is planned for the year to come.

While there may be other items on the upcoming work session agendas, the plan for review of the 2026 budget is as follows:

October 6 Work Session – General and Special Revenue Funds

November 3 Work Session — Community Partnership Annual Reports (Greater Mankato Growth, Visit Mankato, Downtown Partnership, and REDA) and Enterprise Funds

November 24 Work Session — Community Partnership Annual Reports (Southern MN Initiative Foundation, Twin Rivers Council for the Arts and Mankato Diversity Council) and Internal Service Funds

December 1 Meeting – Budget Hearing/ Truth in Taxation Meeting and Consideration of 2026 Payable Final Property Tax Levy and 2026 budget

December 8 – Final Council Meeting if needed



AGENDA RECOMMENDATION

City Council Work Session

2.

Meeting Date: 10/06/2025

Agenda Item:

Discuss Legislative Initiatives

Recommendation/Action(s):

Discussion.

Summary:

Last year, we started the process of reviewing a set of legislative priorities for the upcoming State Legislative Session. We will walk the Council through the efforts in 2025 and share the topics we feel are likely areas for our attention in 2026.

Attachments

2026 Legislative Priorities
2025 Legislative Priorities
2025 Cannabis Legislative Bulletin

2026
Legislative Updates

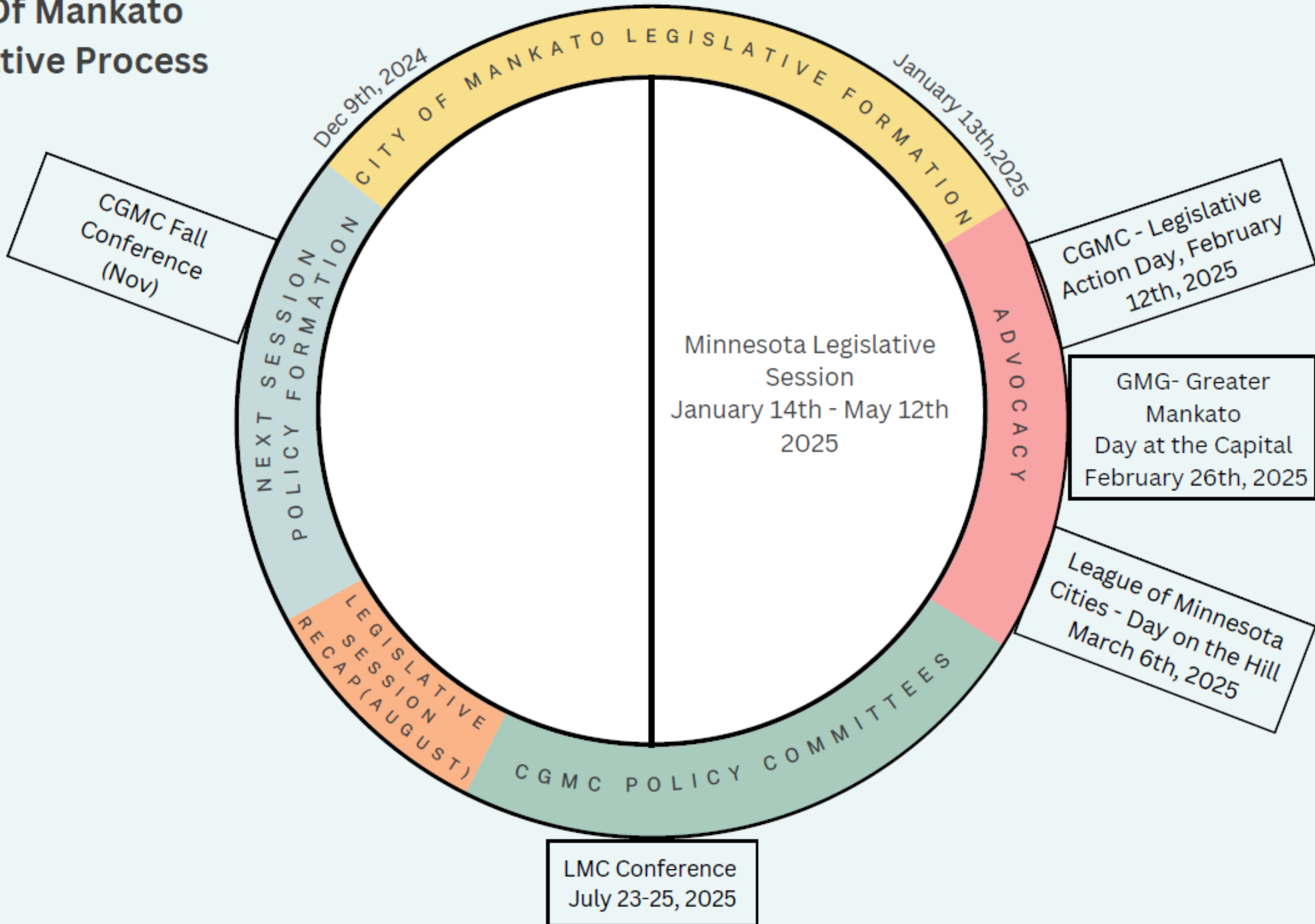
Oct 6, 2025

City of
MANKATO



Leading the way...

City Of Mankato Legislative Process



2025 Legislative Initiative Positions

- State Bonding Request
- Affordable/Life Cycle Housing
- Local Government Aid Formula
- Local Sales Tax
- Local Decision Making
- Municipal State Aid for City Streets
- Transportation

2025 Legislative Review

- Local Government Aid (LGA Position)
 - Senate Taxes Committee - Proposed – Permanent \$20 million cut to LGA
 - \$263,880 or 3.1% cut for Mankato
 - Later scaled back to \$10 million cut
 - Global Budget agreement – looking to cut nearly \$120 million on “taxes and local aids”
 - No allocation adjustment in final proposal
- Local Sales Tax Sharing (Sales Tax Position)
 - Originally proposed in 2024
 - Proposed April 2025– local equalization account to share revenue with neighboring cities
 - House version - 15% of collected revenue would be placed into account
 - City of Mankato opposed proposed policy

2025 Legislative Review

- Cannabis Sales Tax (Sales Tax Position)
- Before July 1st, 2025
 - 6.875% base state general tax rate
 - Additional State Tax Rate of 10%
 - Proceeds are distributed 80% to State General Fund & 20% to Local County & Cities
 - Repealed
- As of July 1st, 2025
 - 6.875% base state general tax rate
 - Additional State Tax Rate of 15%
 - Proceeds are distributed 100% to State General Fund

2025 Legislative Review

Affordable/Life Cycle Housing - (Housing Position)

- Reviewed the variety of proposals from the legislature to address affordable housing
- Focus was on increasing density and adding high density housing in any zoning district
- Was a “One Size Fixes All” Approach
- Proposals removed the public from the process

Landlord database – (Housing Position)

- Proposal to create a statewide landlord database
- Would Require:
 - Owner information
 - Rent cost
 - Rental license info
- Information accessible by general public
- City of Mankato did not support position

2025 Legislative Review

- Solar permitting – (Local Decision Making)
 - Proposal for residential instant solar permitting platforms
 - All local governments with over 5,000 residents that review & issue permits for solar
 - Goal is to speed up the plan review & permitting of solar projects
 - Mankato did not support proposed legislation

2025 Bond Requests

- Riverfront Park
 - The City of Mankato requested \$1.8 million in state capital budget as part of a \$3.6 million total investment that would allow for enhanced access to Riverfront Park amenities and regional connection to the Minnesota River. To revive connectivity of Riverfront Park, Mankato combined multiple projects into the “Riverfront Park Regional Access Renewal.”
 - Construct a 5,610 sq. ft. permanent roof structure and rigging system.
 - Install 710 permanent seats in the lower bowl sections of the amphitheater.
 - Replace the boat launch located along the Minnesota River at Riverfront Park.
- Project not included in bonding bill



2026 Legislative Position Preview

Riverfront Restoration

The City was awarded \$7.2 Million in State Bonding in 2020, with the agreement finalized in 202, for three projects:

- Riverbank Stabilization at Well 15 – this project was completed
- Riverbank Stabilization at Riverfront Park and WRRF – During project development contaminated soils were found and only a portion was completed.
- Indian Creek streambed stabilization/restoration – This improvement was never initiated or completed.

As a result of project cost, the entirety of the three projects identified in the request were not completed.

Environmental Policy

- Continue to monitor legislation regarding water, sewer, and stormwater regulation addressing problem materials and manufactured pollutants
- Monitor legislation affecting the sources of water used by our community from the rivers to the aquifers

2026 Legislative Position Preview

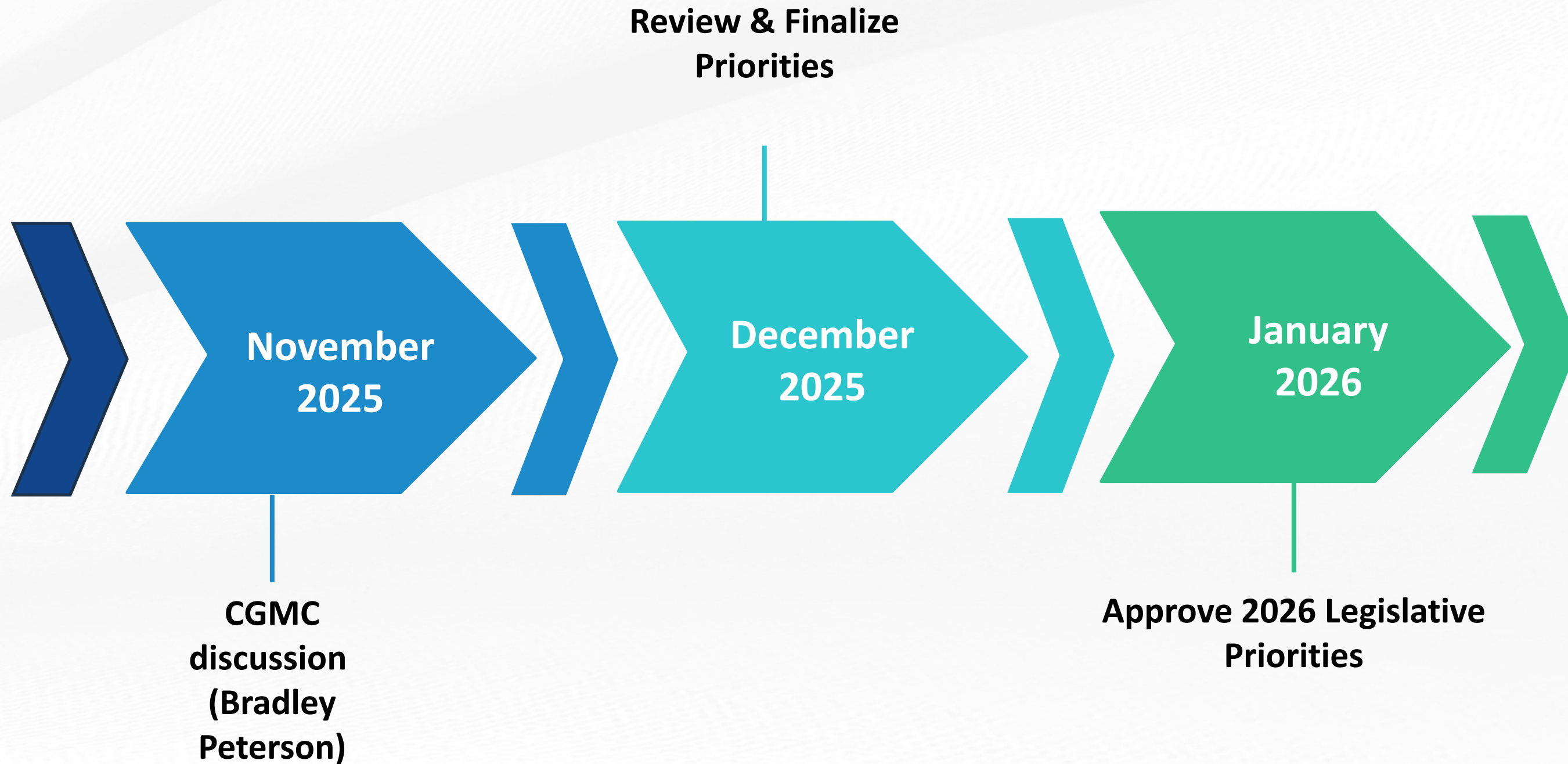
Housing Policy

- Continue to engage in and monitor discussions regarding development of affordable housing with:
 - Local developers
 - Local investors
 - Local employers
 - Legislators
- Continue to support review of and modifications to the City's Code
- Monitor discussions regarding manufactured housing impacts

2026 Bond Requests

- Air Traffic Control Tower
 - Construct an Air Traffic Control Tower at the Mankato Regional Airport
 - 35% of design complete
 - Operations scheduled to begin in 2027
 - Estimated Cost : \$25,302,000
 - Request : \$1,265,000
 - Congressional designated spending Request
- Southeast Water Quality
 - Implement drainage management and associated water quality enhancements that are focused in the Southeast Drainage District and associated stream courses, including the main stem of the Minnesota River
 - Estimated Cost : \$13,500,000
 - Request : \$6,750,000

Next Steps



City of Mankato 2025 Legislative Priorities

Each legislative session the City of Mankato identifies topics that affect local government, which are typically controlled by the state legislature, known as the city's legislative priorities. The city works with state lawmakers each year to share information about how each of the topic areas affect Mankato and the services the city provides to residents and works with state and regional partners to advocate for changes that benefit Mankato and its residents.

The proposed 2025 legislative plan outlines those key policy priorities and goals that the City of Mankato intends to pursue, guiding decision-making on legislation, budgeting, and resource allocation to address the community's needs and improve the quality of life for residents, acting as a roadmap for the city's legislative future development and governance.

State Bonding Request

- The City of Mankato **seeks** \$1.25 million in state capital bonding as part of a \$3.6 million total investment that will allow for enhanced access to Riverfront Park amenities and regional connection to the Minnesota River. To revive connectivity of Riverfront Park, Mankato has combined multiple projects into the “Riverfront Park Regional Access Renewal.”

Affordable/Life Cycle Housing

- Mankato **supports** housing that is affordable and appropriate for people at all stages of life.
- Mankato **supports** funding for development and operation of a 24/7 shelter along with supportive housing units. A variety of housing opportunities are important to the economic and social wellbeing of our region. The City's Housing Action Plan directs development of more shelter beds and developing housing that has a lower barrier for access.
- Mankato **supports** continued funding for cities to create housing that meets a community's needs, specific to each community.

Local Government Aid Formula

- The City of Mankato **supports** any revisions to the LGA formula that includes to the greatest extent possible:
 - Reduced property tax rate disparities among Minnesota cities.
 - Allocations based on city tax base and need.
 - Utilization of the most up-to-date demographic and financial data for state and local governments.
 - Provide for equitable access to essential city services across the state.
 - Include no separate LGA allocations based on geographic location or population.
 - Reduce yearly fluctuations in aid.
- The City of Mankato **supports** the long-term annual funding goal by identified state policymakers to fully fund the needs identified by the current LGA formula (\$1,208,093,381 under current data).
- The City of Mankato **supports** the Governor and legislature implementing annual inflation and population growth adjustments to the LGA appropriation.
- City of Mankato **opposes** artificial, non-formula limits on aid for individual cities or groups of cities. Additionally, the City of Mankato opposes using LGA as a tool to coerce or influence cities on policy decisions that local control does not agree with.

Local Sales Tax

- The City of Mankato **supports** Local Sales Tax (LST) as an option for cities to diversify their revenue streams to fund public improvements and capital replacement projects. The City of Mankato supports:
 - Modifying state law so that LST proposals do not require the approval of special legislation by the legislature of the Governor.
 - Legislation allowing cities to enact or continue a LST by a public referendum at either a general or special election.
 - Modifying state law to ensure that LST is an appropriate funding mechanism for all city owned assets including parks, roads, buildings and other city capital infrastructure.
- The City of Mankato **opposes** additional Local Sales Tax (LST) oversight, and funding restrictions. The City of Mankato opposes:
 - Proposals to offset LGA or other local revenue streams by a local sales tax.
 - Requirements that require a city to seek the permission of other regional local governments including other cities, counties or townships.
 - LST provisions that require a city to share sales tax revenue with other local governments whether regionally or on a statewide basis.

Municipal State Aid for City Streets

- Cities with populations greater than 5,000 receive some state aid through the Municipal State (MSA) formula, as well as the Larger Cities Assistance Account. The City of Mankato **supports** investment in these programs to ensure that funding keeps pace with the significant needs across the state. Moreover, because MSA dollars are limited to only a portion of a city's street system, substantial funding for the Larger Cities Assistance Account is essential. Under current law, Larger Cities Assistance is projected to grow to \$47.4 million annually by 2033. The legislature must not unwind this dedicated funding in future years before it is fully implemented to fund budget shortfalls elsewhere.

Transportation

- The City will partner with MnDOT and North Mankato on redevelopment of the 169 Corridor through our communities in 2027 and 2028. The City of Mankato has been a partner with the state and county in identifying the transportation needs that benefit the community and greater region. As a growth center and regional commercial and tourism destination, a comprehensive and sustainable road improvement plan is desired. The City **supports** funding for the identified needs for State Trunk Highway 169 which benefits the entire region.
- The City **supports** the legislation funding priorities for transportation related items that:
 - Creates a sustainable and consistent funding plan for MnDOT road projects.
 - Improves the surface condition, alignment, access, and safety of the roadway and highway corridors in Mankato.
 - Increases funding to offset the burden placed on cities for improvements completed on state and county highways within City limits.
 - Continues funding for the Transportation and Economic Development program.

Local Decision Making

- Mankato **supports** the ability of local officials to make decisions on behalf of their community in matters related to how the community is shaped, in the financial ability of the community to govern itself, and in the ability of local officials to act flexibly to address unique or changing local conditions and circumstances. Regulatory changes that erode the City's authority or create additional mandates can increase local costs and typically come without corresponding funding. New unfunded mandates potentially increase property taxes and user fees and may impede our ability to fund traditional service needs.
- Changes in local control can also prevent the City Council's ability to effectively safeguard the interests of our community. The public has charged these officials with decision making on their behalf; changes that affect this trust and responsibility should not be considered lightly. We recognize that there are issues that need a broader, state-wide approach. To allow for greater collaboration and flexibility in providing local services, Mankato **supports** the removal of barriers or hurdles to cooperation and coordination between cities and other units of government or entities. Mankato supports cooperation by the various levels of government to discuss and plan together changes in policies and regulations vs. just being decided and handed down. We believe this work is done best together.

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CITY OF MANKATO SUPPORT OF OTHER POSITIONS

In addition to the initiatives contained in this platform, the Mankato City Council generally supports the legislative recommendations of the organizations in which it holds membership, including, but not limited to:

- League of MN Cities
- Coalition of Greater Minnesota Cities

The City Council may choose to take a different position on individual items within the platforms of these and other organizations whose platforms they generally support. The City Council may also consider additional positions in response to issues that emerge during the legislative session.

LEGISLATIVE GUIDING PRINCIPLES

These legislative guiding principles provide a foundation for the specific initiatives and support items that are included in the 2025 State Legislative Platform. As dynamic as the legislative session can become, these tenets inform the City's response to legislative proposals as they are introduced and move through the process.

MANKATO-FIRST FOCUS

- Prioritize support for legislative proposals that clearly improve how government works with and serves City of Mankato community members, businesses, and non-profits.

RESPONSIBLE, RESPONSIVE GOVERNMENT

- Support local authority to define local priorities.
- Pursue policy that is not impinged by excessive, unnecessary regulation.
- Tend to ongoing maintenance and planning for future infrastructure needs.
- Advance information/data technology and ongoing updates that support program integrity and efficient service delivery.
- Engage in good stewardship of natural resources and our environment.
- Encourage inter-governmental collaboration built on the goals of improving performance, increasing efficiencies and building trust across programs, agencies, and communities.
- Communicate openly with the public and operate transparently.

STABLE, SUFFICIENT, FLEXIBLE FUNDING

- Respect local government control of their resources and budgetary processes.
- Acknowledge city costs for existing or new state mandates.
- Support innovations in the delivery of mandated service.

For more information about the City, visit our web site at www.mankatomn.gov. To discuss these legislative priorities please contact Susan Arntz, City Manager at 507-387-8695 or sarntz@mankatomn.gov.

2025 CANNABIS LEGISLATIVE BULLETIN



Appeals, Legal Services, and Disclosure Division
600 N. Robert St.
St. Paul, MN 55146-2220

8/18/25 FINAL

Gross receipts tax imposed. Minn. Stat. § 295.81, subd. 2, was amended to increase the cannabis gross receipts tax rate from 10 percent to 15 percent. Effective for sales and purchases made after June 30, 2025. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 3, § 3.

Deposit of revenues; account established. Minn. Stat. § 295.81, subd. 10, was amended to require the commissioner to deposit all revenues from the cannabis gross receipts tax in the general fund and remove the local cannabis aid account in the special revenue fund. The amendment to deposit all revenues in the general fund is effective for revenues received after June 30, 2025. The amendment to remove the local cannabis aid account in the special revenue fund is effective January 2, 2026. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 8, § 18.

Cancellation of amounts in local government cannabis aid account. This uncodified provision cancels any balance within the local government cannabis aid account to the general fund on January 2, 2026. Effective June 15, 2025. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 8, § 20.

Repealer-marijuana and controlled substance taxation. Minn. Stat. § 609.902, subd. 4, was amended to remove the reference to the illegal cannabis and controlled substance tax and criminal penalty. Minn. Stat. §§ 297D.01 to 297D.13, were repealed, removing the taxes imposed on illegal cannabis and controlled substances. Minn. Stat. § 477A.32 (local government cannabis aid account), was repealed, which provided local government cannabis aid from the balance in the local government cannabis aid account in the special revenue fund. The commissioner will make the last aid payment from this account on December 26, 2025. Minn. Stat. § 13.4697, subd. 5, was repealed, removing a provision in the Minnesota Government Data Practices Act that referenced a data sharing provision from Minn. Stat. chapter 297D for marijuana and controlled substance tax information. Effective August 1, 2025, except that the repealer of Minn. Stat. § 477A.32 is effective for aids payable in 2026 and thereafter. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 8, §§ 19 and 22.