LEAGUE of MINNESOTA CITIES

INFORMATION MEMO

Budget Guide for Cities

Learn about new and current state and federal laws that significantly affect city budget decisions, including annual financial figures for minimum wage, cost-of-living adjustments, local government aid (LGA), and more. Includes information on taxation notification procedure for fuel excise tax.

RELEVANT LINKS:

I. Basic budget information

This guide presents legislative and administrative information, as of its revision date, which might be considerations in developing a budget for the coming year. This guide takes into consideration changes following the 2024 regular legislative session, and it will be updated to account for changes due to subsequent special sessions as appropriate. 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 20 and 21 of the *Handbook for Minnesota Cities* for this information.

Handbook, *Budgeting*.

See State Auditor's Accounting Manual for Small Cities and Towns.

Handbook, *Property Tax Levy*.

Handbook chapter 20 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 21 gives more background information on taxes and taxation notification law.

The 2024 Law Summaries.

For information on the new laws affecting cities, see the League's *2024 Law Summaries*, which is available now.

II. Local government aid (LGA)

Minnesota House Research Department: State Aids.

Minn. Stat. § 477A.014, subd. 1.

The House Research Department has updated estimates of 2025 LGA and a wealth of other related data. City officials should keep in mind that the amounts displayed in the revenue document are estimates only at this point. Aid amounts for 2025 will be certified by August 2024.

III. Legislative changes for 2024

The 2024 Law Summaries.

Every year, the League of Minnesota Cities (LMC) publishes the *Law Summaries*, a comprehensive guide to changes and proposed changes from the last legislative session(s). The *2024 Law Summaries* is available now.

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7/17/2024

RELEVANT LINKS:

2024 Minn. Laws Ch. 122; 2024 Minn. Laws Ch. 127, Art 1-3; 2024 Minn. Laws Ch. 127, Art. 14-15.

2024 Minn. Laws Ch. 112, Art. 3; 2024 Minn. Laws Ch. 112, Art. 2, sec. 13-14; 2024 Minn. Laws Ch. 118.

2024 Minn. Laws, Ch. 110, Art. 6, § 3 *amending* Minn. Stat. § 177.24, subd. 1.

2024 Minn. Laws. Ch. 127, Art. 11.

The 2024 Legislative Session resulted in several changes affecting cities, some of which may impact budgets in the future. There are new funds and grants associated with EMS, transportation and housing. There are also new provisions that may affect budgets based on a city's own circumstances or decisions such as specific city appropriations and the new laws addressing election administration challenges ("presuit" notices), temporary polling places at colleges and universities, and tenants' rights. Throughout the year, the League will provide articles and webinars to help the rollout of these changes. In the meantime, for all legislative changes relevant to cities, please see the *2024 Law Summaries*.

As usual, this *Budget Guide for Cities* features a few of the laws from the current year's legislative session(s) that appear likely to affect or directly relate to most budgets. Those highlights include the following.

Minimum wage change. Previously state law distinguished between employers that do more than $500,000 in "business" and those that do less for purposes of minimum wage requirements. Effective January 1, 2025, there is no longer a distinction between these "large" and "small" employers. As a result, all employers will be subject to the higher minimum wage standards that were previously only for large employers. (There remain lower rates for employees under the age of 20, during the first 90 days of consecutive employment).

Additionally, effective August 1, 2024, the minimum wage rate will be raised every year the lesser of the percentage of inflation increase over the prior year or 5%. Previously the annual raise was the lesser of the inflation increase or 2.5%. For context, in the Midwest, the percentage increase was below 2.5% measured in 2015 through 2020, and it was higher than 5% in 2021 and 2022. The most recent measurement, from 2022 to 2023, was around 3.4%.

Earned sick and safe time modifications. Several changes were made to this now year-old law. For budgetary purposes, two of the more important changes are the addition of an explicit remedy for noncompliance and the "hourly" rate redefined as a "base" rate. Both changes became effective the day after the law was signed.

The new remedy provision makes employers directly and financially liable to employees for noncompliance with the Earned Sick and Safe Time law. If an employer has insufficient documentation to show compliance, the employer will be held liable for an amount equal to 48 hours of earned sick and safe time for each year the time was not provided, plus liquidated damages.

The "base rate" change is more of a clarification. If an employee makes an hourly wage, the base rate is still the hourly rate. If the employee makes more than one hourly rate, the base rate is the hourly rate during the time the leave is taken. If the employee is salaried, they are entitled to receive what they would have received if they hadn't taken the leave.

RELEVANT LINKS:

2024 Minn. Laws Ch. 127, Art. 11, § 7 *amending* Minn. Stat. § 181, 9445, subd. 5.

Please note: Another change in the law which took effect the day after the law was signed was to exempt several roles from the definition of "employee" for purposes of the Earned Sick and Safe Time law. Those exempt roles are city council members, volunteer/paid on-call firefighters, volunteer ambulance attendants and paid on-call ambulance service personnel.

2024 Minn. Laws, Ch. 127, Art. 73, § 10 *amending* Minn. Stat. § 268B.01, subd. 23.

Minnesota Paid Leave Law Technical Changes. Effective May 25, 2024, the definition of "family member" is expanded to include the child of a domestic partner. It is also clarified that, if an employee is expected to care for a person only due to the nature of the personal relationship, the person is considered a "family member" only if the employee is not otherwise compensated for their care.

IV. Taxation notification procedure

Minn. Stat. § 275.065, subd. 1.

Minn. Stat. § 275.066.

Minn. Stat. § 275.065, subd. 1.

The table below outlines the annual taxation notification procedure and deadlines (sometimes called "truth in taxation" or "TNT"). The deadline for cities 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, is also Sept. 30.

Department of Revenue: Truth in Taxation.
See *Adopting the Final Property Tax Levy,* LMC Model Resolution.
Minn. Stat. § 275.065, subd. 3, paragraphs (c), (i).

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, and special taxing districts must still certify proposed property tax levies to the county auditor on or before Sept. 30, 2024.

RELEVANT LINKS:

Taxation Notification Summary Chart for Taxes Payable 2025	
Date	**Action**
On or before Sept. 30	All cities and special taxing districts must adopt any proposed property tax levy and certify the proposed levy to the county auditor.
On or before Sept. 30	At one meeting, in cities of population greater than 500, 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. Cities over 500 population 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 and website (if available) that city taxpayers may use 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. • The certified levy for the current taxes payable year, the proposed levy for taxes payable in the following year, and the increase or decrease between these two amounts, expressed as a percentage.
Nov. 11 to Nov. 24	County auditor prepares and sends parcels specific notices.
Nov. 25 to Dec. 30	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. 30	Cities certify the final levy. Cities must also file the certificate of compliance with the Department of Revenue by Dec. 30, 2024. The department usually supplies a Form TNT for these purposes closer to the time of certification.

Minn. Stat. § 275.07, subd. 1.

All cities and special taxing districts must certify the final property tax levy to the county auditor on or before Dec. 30, 2024 (five working days after Dec. 20). If this deadline is missed, the final levy will stay the same as it was in the preceding year.

RELEVANT LINKS:

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

Social Security Administration, Election Workers (Defined). Election Officials and Workers. PERA: Social Security for Government Employers.

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

PERA Employer Manual, Ch. 3.
Minn. Stat. § 353.01, subd. 2b(a)(3).

IRS Standard Mileage Rates.

V. Election worker wages and withholding

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

Federal and/or state tax withholding, including withholding for Social Security and Medicare. If an election worker is paid less than $2,300 in 2024, no Social Security or Medicare taxes are withheld. Cities do not need to issue W-4s for election workers earning less than $2,300. At the time of publication, the threshold to anticipate for 2025 had not been established.

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

PERA withholding. 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. Employment-related changes

A. Optional standard IRS mileage rate

The IRS standard mileage rate for the latter half of 2023 *was* 65.5 cents per mile for business miles driven, up from 62.5 cents in early 2022.

The standard mileage rate for 2024 is 67 cents per mile. This is an increase of 1.5 cents per mile from 2023.

At the time of publication, 2025 rates are not yet available.

RELEVANT LINKS:

PERA.

B. 2025 PERA contribution rates

The 2024 regular legislative session resulted in no changes to employer or employee contributions to either the defined benefit or defined contribution plans.

EMPLOYEE CONTRIBUTIONS		
Defined Benefit Plan (DBP)	**Calendar year 2023**	**Calendar year 2024**
Basic	9.10%	9.10%
Coordinated	6.50%	6.50%
Police and Fire	11.8%	11.8%
Defined Contribution Plan (DCP)	**Calendar year 2023**	**Calendar year 2024**
Elected Officials	5.00%	5.00%
Physicians	5.00%	5.00%
City Managers/Administrators	6.5%	6.5%
Ambulance/Rescue Squad Personnel	Rate set by employer	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.	7.5% or more made either solely from compensation paid to the firefighter or through a combination of member and employer contributions.

RELEVANT LINKS:

EMPLOYER CONTRIBUTIONS		
Defined Benefit Plan (DBP)	**Calendar year 2023**	**Calendar year 2024**
Basic	11.78%[1]	11.78%
Coordinated	7.50%[2]	7.50%
Police and Fire	17.7%	17.7%
Defined Contribution Plan (DCP)	**Calendar year 2023**	**Calendar year 2024**
Elected Officials/Physicians	5.00%	5.00%
City Managers/Administrators	6.5%	6.5%
Ambulance or Rescue Squad Personnel	Rate set by employer	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	7.5% or more made either solely from compensation paid to the firefighter or through a combination of member and employer contributions

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%.

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, 2025 information is not available.*

2024 Annual Maximum Contribution Limits*

Participant age	Contribution Limits
Under age 50	$23,000
Age 50 and over	$30,500
Catch up provision	$46,000

RELEVANT LINKS:

*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).

2024 Social Security and Medicare Tax Rates.

The 2025 Social Security and Medicare withholding amounts are not available at the time of this publication.

In 2024, for employers:

- The Social Security tax rate is 6.2%.
- The Medicare tax rate is 1.45%.

This combined rate of 7.65% is unchanged from 2023.

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 $890 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

Both health and dental insurance options popular with Minnesota cities have experienced changes in the past few years, resulting in a wide range of pricing from decreases to 50% increases. Both lines of coverage have seen an increase in claims costs driven largely by increased reimbursement rates requested by providers due to labor shortages. Because timing of contracts negotiated between providers and carriers varies, expect to see the full impact of negotiated rates increasing over the next few years. Health insurance is also impacted by federal and state government policy changes, which can dramatically impact cost changes. Lastly, current and predicted increases in pharmaceutical spending continues to contribute to rising employer costs. All of these factors are impacting all cities, including pooled or direct with carrier as well as self-funded and fully-insured.

RELEVANT LINKS:

IRS Health Reimbursement Arrangements and Other Account-Based Group Health Plans.

Gallagher Final HRA Regulations.

Gallagher HRA Summary Comparison.

Given the increases in health insurance premiums and the affordability challenges it creates for both employers and employees, various Federal Departments have updated guidance pertaining to employers reimbursing employees for individual health insurance plans, on either a pre-tax or after-tax basis. While these updated regulations are meant to provide flexibility for employers, these individual coverage HRAs options have not become very popular for most employers. For those cities interested in exploring these options, resources have been included in the links to the left.

IRS Affordable Care Act Guidance.

IRS FAQs on ACA.

Cities need to make sure they are complying with the federal Affordable Care Act (ACA). On Feb. 10, 2014, the IRS released the final regulations implementing the employer shared responsibility mandate which affects many cities.

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, based upon the prior years' average number.

DOL FAQs on ACA.

LMC website, Healthcare Reform 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.
- Since Jan. 1, 2017, small employers can provide a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) that reimburses employees for the medical care expenses of the employee, the employee's spouse, and the employee's dependent children, including individual health insurance policies purchased on the individual market. Certain requirements must be met before a city offers a QSEHRA.

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.

LMC website, Federal Health Care Reform.

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

RELEVANT LINKS:

Gallagher guidance on 6055 and 6056 Reporting.

IRS Resource.

The ACA has reporting requirements for providers of health insurance and applicable large employers that must be sent to covered individuals and the IRS, which started the beginning of 2016. **Effective Jan. 1, 2024, all employers filing 10 or more returns will be required to file electronically.** This is a significant change from the previous threshold of 250 returns. If you are still in need or a solution, please consider working with your payroll vendor, tax professional, or health insurance broker for more assistance.

G. Cost-of-living adjustment information

Minnesota Economy at a Glance from the BLS Midwest Information Office.

Cities often look at cost-of-living adjustments when setting salaries for the coming year. One measure is the consumer price index (CPI), published by the Bureau of Labor Statistics, U.S. Department of Labor. The CPI is a measure of the average change over time in prices paid by consumers for goods and services.

See the BLS Consumer Price Index, Midwest Region.
See "What Inflation Means for State and Local Budgets".

Inflation has dwindled over the past year as it approaches pre-2020 levels, yet prices remain higher. The CPI for the Midwest urban region increased 2.8% between April 2023 and April 2024. This is down from the 4.9% increase for the same period from 2022 to 2023, and the 8.2% increase from 2021 to 2022. Other methods of adjusting salaries for inflation may also exist, depending upon the particular city, and these may be used instead of the CPI.

VII. Coverage and dues

A. LMCIT coverage

LMC information memos, Reducing LMCIT Premium Costs and Comparing Coverage Quotes.

Most Minnesota cities are members of the League of Minnesota Cities Insurance Trust (LMCIT) for property, liability, auto, and workers' compensation coverage. Cities purchasing insurance from a private company should ask their provider about insurance coverage options, claim trends, and costs. Cities looking for possible ways to reduce their premiums can reference the memo Reducing LMCIT Premium Costs.

LMC website, Premium Rates.

LMCIT members' annual premium costs are affected by rates, exposures, and experience. In addition to rates, which are set by LMCIT in the fall, cities' costs can fluctuate if there are changes in exposures — such as payrolls, city expenditures, or property values — or changes in experience rating for workers' compensation, municipal liability, or auto liability. Generally, experience rating formulas compare expected losses for individual members within a recent three-year period to the actual losses during the same period, and if losses are greater (or less) than expected, a premium debit (or credit) is applied.

Below are preliminary estimates for rates, which would take coverages renewing on or after Jan. 1, 2025.

RELEVANT LINKS:

These are not guarantees. Annual actuarial reviews, other rate development work, and reinsurance costs will be calculated this fall, at which time LMCIT will be able to give a definite answer on premium rates for 2025. Final rates can vary substantially from our preliminary estimates.

Rates are only one piece of the puzzle — changes in exposures and experience rating will impact premium costs as well. As always, cities can check with LMCIT starting in October for an updated outlook on premiums. Or if you'd like to learn more about your city's specific situation, contact your agent or LMCIT underwriter.

1. Workers' compensation

At this point, we are not expecting a need to increase rates overall for 2025. Claim costs trends have stabilized and we are expecting more investment income moving forward to help subsidize rates.

Of note for 2025: we are adjusting the relative rates for specific job classes – so rates for some job classes will increase and others will increase. For a member with a diversified mix of payroll exposure by job class, we're not expecting the average rate change to increase. But given we don't yet know for certain which job classes will see rate increases and which will see decreases, and each member's mix of payroll by job class is a little different, we might suggest allowing some cushion by assuming a 5% average rate increase for budgeting purposes.

When budgeting for workers' comp, consider the product of the following: 1) Rates; 2) Increase in exposure (payroll); 3) Change in experience rating modification. For example:

- If current LMCIT premium is $100,000
- And if rates increase 5%; estimated payroll is increasing 5%; and the experience mod is expected to increase 10%.
- Then, it might be reasonable to budget for $121,275. ($100,000 X 1.05 X 1.05 X 1.10)

Consider rates, exposure, and experience rating. Rates are only one piece of the puzzle — changes in payroll exposure and experience rating will impact premium costs as well. If you'd like to learn more about your city's specific situation, contact your agent or LMCIT underwriter.

2. Property coverage

Relative to other parts of the country, property losses for LMCIT members in the past few years haven't been overly concerning which is good news for purposes of rate-setting, but we'll need to see what happens with summer storms.

RELEVANT LINKS:

The reinsurance market is still in a somewhat hard cycle, meaning generally higher costs and more limited coverage due to less supply of reinsurance capacity. Reinsurance costs are a significant expense for the LMCIT property coverage program and it's uncertain how the reinsurance market will behave later this year. Given the reinsurance uncertainty, cities may want to allow for a 3-5% increase for property coverage rates on average. Members with electric utility property should be prepared for larger premium increases for those specific building and facility types - an additional 10%.

Inflation is particularly relevant for property coverage. It impacts the cost of claims and the replacement cost value of buildings and contents, which is the basis to which rates are applied to calculate premiums. Property appraisals in recent years have discovered a lot of members' properties to be undervalued. Aside from the property appraisals — which are conducted every seven years — LMCIT applies an inflation guard factor annually to members' property values to keep pace with inflation. The inflation guard factor for renewals effective Nov. 15, 2023-24 is 5% for buildings and 7% for building contents. We'll establish the inflation guard factor for 2025 renewals in July 2024 – at this point, we're expecting something similar, in the range of 4-6%.

When budgeting for property coverage, consider the product of the following: 1) Rates; 2) Increase in exposure (replacement cost value of covered property). For example:

- If current LMCIT premium is $100,000
- And if rates increase 5% and replacement costs values for covered property are estimated to increase 6%.
- Then, it might be reasonable to budget for $111,300 ($100,000 X 1.05 X 1.06)

Consider rates and exposure. Rates are only one piece of the puzzle — changes in your property replacement cost values will impact premium costs as well. Plan for property value increases of at least 5-7%. If you'd like to learn more about your city's specific situation, contact your agent or LMCIT underwriter.

3. Liability coverage

Loss cost trends in recent years have been relatively stable. Changes in the police liability environment, potential federal or state reforms, and the escalation in the value of serious claims is something we're monitoring and could impact pricing for police liability as well as excess liability limits.

RELEVANT LINKS:

LMCIT suggests cities allow for possible rate increases in the range of 5-9% primarily to account for inflationary considerations, toward the higher end for members with police liability or excess liability limits as the reinsurance market for excess limits is a bit in flux. Inflationary pressure for the insurance industry is due not only to traditional inflationary measures for things like goods, labor, and medical costs, but also due to increased evidence of social inflation, which is a phenomenon by which claim costs increase faster than generic inflation due to increased litigation costs and plaintiffs seeking and receiving increasingly high judgments.

When budgeting for liability coverage, consider the product of the following: 1) Rates; 2) Increase in exposure (#employees, sewer connections, annual expenditures, households) 3) Change in experience rating modification. For example:

- If current LMCIT premium is $100,000
- And if rates increase 5%; exposures are increasing 3%; and the experience mod is expected to increase 15%.
- Then, it might be reasonable to budget for $129,780. ($100,000 X 1.05 X 1.03 X 1.15)

Consider rates, exposure, and experience rating. Rates are only one piece of the puzzle — changes in your exposure (annual expenditures, number of employees, number of sewer connections, and number of households) and experience rating will impact premium costs as well. If you'd like to learn more about your city's specific situation, contact your agent or LMCIT underwriter.

4. Auto coverage

Auto coverage loss costs have continued to rise in recent years. Auto claims are costing more due to the increased prevalence in technology in vehicles that's both easy to damage and costly to repair. New and used vehicles are more expensive and components are scarce and more costly to obtain. We'd suggest allowing for 5-10% increases for auto rates to account for the increased cost of claims and for inflationary considerations.

When budgeting for auto coverage, consider the product of the following: 1) Rates; 2) Increase in exposure (#autos) 2) Change in experience rating modification. For example:

- If current LMCIT premium is $100,000
- And if rates increase 10%; exposures are increasing 2%; and the experience mod is expected to increase 10%.
- Then, it might be reasonable to budget for $123,420 ($100,000 X 1.10 X 1.02 X 1.10)

RELEVANT LINKS:

Consider rates, exposure, and experience rating. Rates are only one piece of the puzzle — changes in your exposure (number and types of autos) and experience rating will impact premium costs as well. If you'd like to learn more about your city's specific situation, contact your agent or LMCIT underwriter.

B. League dues

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 January 1, 2025, cities should complete the following steps:

1. Estimate the city's population for 2023.
2. Find the estimated population from step 1 in the table below to compute the estimated dues payable January 1, 2025, covering membership from January 2025 - December 2025.
3. If needed, to estimate the dues payable September 1, 2024, covering membership from September 2024 – December 2024, take the amount calculated in Step 2 and divide by 3.

With the League changing its' fiscal year to a calendar year, League dues for the upcoming 16-month fiscal year (September 2024 – December 2025) will be billed on two separate dates. The first billing on September 1, 2024, will cover membership from September 2024 - December 2024. The second billing on January 1, 2025, will cover membership from January 2025 – December 2025. The estimated dues payable on January 1, 2025, are computed based on the maximum dues schedule below:

Population	Amount	Per capita rate
249 OR LESS	$476	0
250 - 4,999	$165	1.2565
5,000 - 9,999	$1,312	1.0271
10,000 - 19,999	$2,845	0.8739
20,000 - 49,999	$9,702	0.5311
50,000 - 299,999	$28,722	0.1507
300,000 AND OVER	$48,386	0.0852

For example: If your city's estimated 2023 population is 6,251 residents, your estimated dues to cover membership from January 1, 2025 through December 31, 2025 would be $7,732 ($1,312 + 6,251*1.0271).

RELEVANT LINKS:

Due to the League changing fiscal years, your city would be billed $2,577 ($7,732/3) on September 1, 2024 for September 2024 – December 2024 membership and the city would be billed $7,732 on January 1, 2025 for January 2025 – December 2025 membership.

Contact Milton Ferris at the League at mferris@lmc.org or (651) 215-4023 or (800) 925-1122.

If you need assistance estimating population or dues, call the League's Assistant Finance Director - Operations.

VIII. Excise taxes on motor fuel

See IRS Publication 510 Appendix for Model Certificates:
M - Ultimate Purchaser;
P - Diesel Fuel Tax Exemption; and
R – 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.