

Chapter 19

Sources of Revenue

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This material is provided as general information and is not a substitute for legal advice. Consult your attorney for advice concerning specific situations.

Chapter 19

Sources of Revenue

Learn about major sources of revenue cities consider when developing and implementing a city budget. Examples include state aid programs, charging for city services, license and permit fees, investment income, city enterprise funds, taxes, street and highway funding, and borrowing options.

RELEVANT LINKS:

See Handbook, [Property Tax Levy](#).

LMC information memo [Budget Guide for Cities](#) contains current, comprehensive information on the property tax levy and other revenues and expenditures.

See MN Revenue [Local Sales and Use Tax Guide](#).

[Minn. Stat. § 469.190, subd. 1.](#)

[Minn. Stat. § 469.190, subds. 1, 3.](#)

[Minn. Stat. § 469.190, subd. 6.](#) See Handbook, [Intergovernmental Cooperation](#).

[Minn. Stat. § 297A.99.](#)

[Minn. Stat. § 297A.99, subd. 3a.](#)

I. Taxes

Although city revenue sources are diversified, meaning there are various sources of revenue for cities, the property tax is the main way to raise city revenue, making up approximately 30% of city revenue. A city's ability and process to levy (impose) property tax is discussed later in the Handbook.

While property tax provides the greatest percentage of city tax revenue, the Legislature has authorized Minnesota cities to levy and collect taxes on some utilities, gambling, and lodging as well.

Lodging (a temporary place to stay) includes lodging at a hotel, motel, rooming house, tourist court, or resort, and does not include renting or leasing the lodging for 30 days or more. Lodging also includes camping sites at municipal campgrounds.

A city may impose, by ordinance, a local lodging tax up to 3% on the gross receipts of lodging in the city; 95% of the gross proceeds must be used to fund a local convention or tourism bureau for the purposes of marketing and promoting the city.

A city can also enter into a joint powers agreement to impose this tax.

The Legislature has also granted some cities the authority to impose their own sales tax.

However, a temporary moratorium on certain sales and use taxes was put into place during the 2023 legislative session. Until after May 31, 2025, cities cannot engage in any of the following activities in connection with imposing a new local sales and use tax or modifying an existing local sales and use tax:

RELEVANT LINKS:

[Minn. Stat. § 297A.99, subd. 1\(d\).](#)

[Minn. Stat. §§ 477A.013-.015.](#)
See LMC information memos, *Budget Guide for Cities, Local Government Aid 101*, Minnesota Department of Revenue [Local Government Aid \(LGA\) Certification for Cities](#).
[Additional information on LGA](#) available on the LMC website.

See MN Dept. of Revenue's [Local Government Aid \(LGA\) Certification for Cities, Summary of LGA Certified for 2024](#) and [Summary of LGA Certified for 2025](#).

[Minn. Stat. § 273.1385.](#)

[2023 Minn. Laws ch. 45, art. 6, § 1, subd. 1.](#)
[PERA: Legislation.](#)

[PERA: Plans.](#)

- Advertise or expend funds for the promotion of a referendum to support imposing a local sales tax.
- Adopt a resolution.
- Seek voter approval.

This prohibition does not apply to new local sales and use taxes or modifications to existing local sales and use taxes authorized in May 2023.

II. Local government aid

Local government aid (LGA) is a state aid to local governments. It is a general purpose aid that can be used for any lawful expenditure. It is also intended to be used for property tax relief. The Minnesota Department of Revenue certifies LGA for cities based on current LGA statutes, including any changes enacted during the most recent legislative session. LGA has undergone several changes since its creation in 1971. LGA has replaced most of the individual taxes, such as cigarette, liquor, bank excise, and gross earnings taxes, which the state previously distributed to local governments under various laws.

The total amount of LGA certified for all cities in 2024 is \$664.4 million and in 2025 is \$644.4 million.

III. PERA aid

Direct state aid to the Public Employees Retirement Association (PERA) plan began in 1997 to offset an increase in PERA employer contribution rates made in 1997. The amount was equal to 0.7% of a city's PERA payroll from July 1, 1996, to June 30, 1997. It was paid in two equal payments on July 20 and December 26. The amount of this aid remained the same from year to year. Any significant decrease in payroll below fiscal year 1997 levels could have resulted in a decrease in PERA aid.

In 2023, the Legislature made a one-time appropriation (an amount of money reserved for a particular purpose) of \$485.9 million, to be allocated on the basis of accrued liabilities (to be paid as expenses are incurred), to each of the pension plans in 2024, including \$170 million for the PERA General Employees Retirement Plan, \$19.4 million for the PERA Police and Fire Retirement Plan, and \$5.25 million for the PERA Local Government Correctional Retirement Plan. The direct funding increase will reduce the need for future increases in employee and employer contributions.

RELEVANT LINKS:

[Minn. Stat. Ch. 477B.](#)
[Minn. Stat. Ch. 477C.](#)

[Minn. Stat. § 477B.03, subd. 2.](#)

[Minn. Stat. § 477C.03, subd. 2.](#)

[Minn. Stat. § 297L.20, subds. 3-6.](#)

[Minn. Stat. § 477B.02.](#)
[Minn. Stat. ch. 353G.](#)
[Minn. Stat. § 477B.02, subd. 2.](#)

[Minn. Stat. § 477B.02, subd. 3.](#)

IV. Fire and police state aids

Another important source of intergovernmental revenue is state aid for police and fire service. This money is apportioned as state aid to qualifying cities for fire and police retirement and relief.

How the police and fire state aid must be used by the city will vary according to several factors.

Fire state aid now equals 107% of the reported fire premium taxes paid to the state by insurers who write fire, lightning, sprinkler leakage, and extended coverage insurance on risks within the state.

Police state aid is now equal to 104% of the reported premium taxes paid to the state by fire and casualty insurers who offer auto insurance policies written in the state. Corporate self-insurers pay a tax in lieu of the auto insurance tax.

However, the following credits claimed do not affect the calculation of the amount of fire and police state aid available for apportionment:

- Historic structure rehabilitation credit.
- Film production credit.
- Minnesota housing tax credit.
- Short line railroad infrastructure modernization credit.

A. Fire state aid

In order to qualify for state aid for fire service, a city must have a city fire department that was established and providing services for at least one calendar year or contract with an independent, nonprofit firefighting corporation.

A fire department must have a current identification number issued by the state fire marshal. Under current law, the fire department must provide retirement benefits through a relief association, participate in the statewide volunteer firefighter retirement plan, or provide coverage through the public employees police and fire retirement plan if the city solely employs full-time firefighters. For purposes of retirement benefits, a fire department may be associated with only one volunteer firefighters' relief association or one account in the voluntary statewide volunteer firefighter retirement plan at one time. The fire department, whether a city department or an independent one, must meet a number of minimum requirements and complete specific certifications to be eligible for aid.

RELEVANT LINKS:

2024 Minn. Laws ch. 102, art. 9, § 8, amending Minn. Stat. § 477B.02, subd. 3.

Minn. Stat. § 477B.02, subd. 9.
Minn. Stat. § 477B.03.
Minn. Stat. § 477B.02, subd. 9.
Minn. Stat. § 477B.03 subd. 5(e).

Minn. Stat. § 477B.02, subd. 5.

Minn. Stat. § 477B.02, subd. 8.

Beginning with aids payable in 2025, the fire department must:

- Be associated with a volunteer firefighter relief association that provides retirement benefits and have retirement coverage under the public employees police and fire retirement plan for the department's full-time firefighters, part-time firefighters, or full-time and part-time firefighters.

Or the fire department must:

- Participate in the statewide volunteer firefighter plan and have retirement coverage under the public employees police and fire retirement plan for the department's full-time firefighters, part-time firefighters, or full-time and part-time firefighters.

For the purposes of retirement benefits, a fire department can only be associated with one volunteer firefighter relief association or one account in the statewide volunteer firefighter retirement plan at one time.

If a city does not have a relief association, the city can still qualify to receive fire state aid if all other requirements are met.

The clerk of a city with an organized fire department or the secretary of an independent, nonprofit, firefighting corporation must certify certain information to the commissioner of revenue by March 15 each year. The certification should include the fire department service area in the previous year, confirmation that the fire department meets the minimum requirements for receiving state aid, and all documentation necessary to determine eligibility for or calculate apportionment of fire state aid. The clerk or secretary must send a copy of the certification to the fire chief within 5 business days of the date of filing with the commissioner. Every city fire department or independent, nonprofit, firefighting corporation must also file a copy of any duly executed and valid fire service contracts, written notification of any fire service contract terminations, and written notification of any dissolution of a fire department, within 60 days of contract execution or termination, or department dissolution. If more than one fire department provides service to a city, the fire departments furnishing service must file an apportionment agreement with the commissioner.

By February 1 of each year, PERA must certify to the commissioner which fire departments transferred retirement coverage to or terminated participation in the voluntary statewide volunteer firefighter retirement plan since the previous certification. The certification must include the number of active volunteer firefighters under Minn. Stat. § 477B.03 subdivision 5(e).

RELEVANT LINKS:

[Minn. Stat. § 477B.04, subd. 3.](#)

[Minn. Stat. § 477B.042.](#)

[Minn. Stat. § 477B.04, subd. 3.](#)

[Minn. Stat. § 477B.04, subd. 4.](#)

See LMC information memo, [Budget Guide for Cities](#).

[MINN. DEP'T OF REVENUE, POLICE STATE AID.](#)

[Minn. Stat. § 477C.03, subd. 2.](#)

[Minn. Stat. § 477C.04, subd. 3.](#)
[Minn. Stat. § 423A.022.](#)

Where the fire aid must go once received will depend on whether there is a local relief association and whether the department has full-time firefighters with retirement coverage by the public employees police and fire retirement plan. If there is a local relief association which has filed a financial report as required by statute and there is no aid allocation agreement (discussed below) in effect, then the aid must be forwarded to the relief association within 30 days of receipt by the city.

If within a single department, some firefighters are covered by the relief association and others by the voluntary statewide lump-sum volunteer plan, an aid allocation agreement between the city and the relief association will determine how much of the aid the city will transmit to the association.

If such an agreement is on file with the state auditor, the city must transmit state aid to the relief association within 30 days of receipt. Within 18 months of disbursement, the city and association must have applied the aid to PERA employer and relief association contributions respectively.

If the firefighters of the applicable fire department are members of the voluntary statewide lump-sum volunteer firefighter retirement plan, the aid will be paid directly to PERA by the state.

Any adjustments needed to correct a fire state aid overpayment or underpayment due to a clerical error will be made to subsequent fire state aid payments. The ability to make any adjustments is limited to three years after the payment was issued.

B. Police state aid

To participate in the police state aid apportionment, the clerk of each city employing one or more police officers must file a certification of police officers. The Department of Revenue posts the required certification forms on its website in December.

The state calculates police state aid by the number of months and the number of employed full-time police officers. The state does not include officers with less than 30 average hours each week in this calculation.

If a city contracts with a county or another city for police service, the service agreement should determine what the city will receive for a proportionate amount of the state aid the county or city receives based on, for instance, the number of police officers providing the service under the agreement.

The city treasurer should disburse the police aids according to the current distribution formula.

RELEVANT LINKS:

[Minn. Stat. § 477C.02.](#)
[Minn. Stat. § 477B.02.](#)
See [Key Reporting Dates for Relief Associations](#) at the OSA.
[Minn. Stat. § 477C.02, subd. 4.](#)

[Minn. Stat. § 477C.02, subd. 4.](#)

For questions, contact
PropTax.Admin@state.mn.us.

[Minn. R. 6700.1800.](#)
[POST Board](#) (651) 643-3060.

[Minn. Stat. § 477C.01, subd. 7.](#)

[Minn. Const. art. XIV, §§ 8-12.](#)
[Minn. Stat. § 162.09.](#)
[Minn. Stat. § 162.11.](#)

C. Filing police and fire state aid reports

March 15 is the due date for filing the fire equipment certification and certification of peace officers with the Department of Revenue. If the certification is not filed by March 1, the commissioner will notify the city clerk or clerk-treasurer that a penalty may be deducted from the police state aid certified for the current year if the certification is not filed by March 15. The city should file fire and police service contracts and service area apportionment agreements as soon as possible after negotiation. Audit reports and actuarial survey reports are due within 30 days after the relief association receives them.

If the certification is rejected due to inaccurate or incomplete information, the city clerk or clerk-treasurer must file a corrective certification within 30 days of the date on the rejection notice, or by March 15, whichever date is later.

Questions regarding the apportionment of funds to the city, filing contracts, fire service area apportionment agreements, or qualifying for fire or police state aid or funding requirements, should be directed to the Auditor/Treasurer Unit, Property Tax Division of the Department of Revenue.

D. Peace officer training reimbursement

Funds are available to reimburse cities for some of the costs of their peace officers' training. The Peace Officer Standards and Training (POST) Board mails reimbursement forms to cities annually and asks cities to report which officers received continuing education training during the past year.

The cities eligible for reimbursement will then receive a share of the appropriated amount for peace officer training for the year. A peace officer must meet certain criteria in order to be eligible for the training reimbursements.

V. Street and highway funding

The highway user distribution fund consists of revenues from two major taxes the state gasoline tax, and fees from motor vehicle registration.

A. Cities with populations over 5,000

The Minnesota Constitution requires state gasoline tax and motor vehicle registration fees to provide funding for certain city, county, and state roads.

RELEVANT LINKS:

[Minn. Const. art. XIV, § 12.](#)

[Minn. Const. art. XIV, § 13.](#)

[Minn. Const. art. XIV, § 5.](#)

[Minn. Stat. § 162.13.](#)

[2024 Minn. Laws ch. 127, art. 3, § 25, amending Minn. Stat. § 162.09 by adding subd. 6a.](#)

Municipal State Aid Needs Study, [State Aid for Local Transportation Office](#), Dept. of Transportation, (651) 366-3800.

[Minn. Const. art. XIV, §§ 4, 8.](#)

[Minn. Const. art. XIV, § 3.](#)

[Minn. Const. art. XIV, § 5.](#)

Under current law, 100% of the revenue from state sales taxes on the sale of a new or used motor vehicle must be used for transportation purposes, including not more than 60% for the highway user tax distribution fund and not less than 40% for a fund dedicated solely to public transit assistance as defined by law.

As a group, cities with populations over 5,000 receive 9% of the highway user taxes. It is apportioned among them on the basis of two factors:

- 50% is distributed on the basis of money needs, as defined by law;
- 50% is distributed on the basis of population in relation to the total population of all the other cities receiving this aid, as established by the latest federal census.

The municipal state-aid street system must not include a segment of a city street that is designated as a pedestrian mall under chapter 430.

For further information, contact the Municipal State Aid Needs Study Section of the Office of State Aid, Dept. of Transportation at (651) 366-3800.

B. Cities with populations under 5,000

1. Construction of state-aid roads

Smaller cities (those with populations under 5,000) are not eligible for the direct state aid program.

However, smaller cities do have access to state funding for certain county and state roads that pass through their communities.

Counties, like cities, are constitutionally guaranteed a portion of the highway user distribution fund.

Twenty-nine percent of the fund is dedicated for certain county roads and highways. The remaining 62% is dedicated to the state trunk highway system.

When preparing their budgets, cities with populations under 5,000 should check with their county board to determine if the county plans to undertake any improvement projects within their limits.

Construction of state aid roads may mean additional expenses for the city, such as curb and gutter construction along the new route. These expenses may have to come out of the city's general revenue if the city has not specially assessed them to the benefited property.

RELEVANT LINKS:

[Minn. Stat. § 162.08, subd. 9.](#)

[Minn. Stat. § 162.145.](#)

See Minnesota Department of Transportation, [Small Cities Assistance Program](#).
Focus on New Laws: [Transportation Advancement Account](#), LMC News. 2024
[Minn. Laws, ch. 127, art. 1, § 9.](#)
[Minn. Stat. § 174.49.](#)

[Minn. Stat. ch. 168E.](#) See Minnesota Department of Revenue, [Retail Delivery Fee](#).

[Minn. Stat. § 174.24.](#)

See Handbook, [Environmental Regulations](#).

2. Maintenance of state aid roads

The county may use up to 40% of the money distributed to it (or more with the approval of the transportation commissioner) for maintenance of the state aid road system. Some counties maintain routes through the smaller cities. Other counties have some or all small cities do the maintenance under agreements that include provisions for county reimbursement. For budget purposes, finance officers of smaller cities should check with their county highway department in order to determine the amount of maintenance money, if any, they will receive.

3. Construction and maintenance of city roads

The Small Cities Assistance Program, administered by the Minnesota Department of Transportation, provides funding to cities for the construction and maintenance of roadways in the city. Cities that do not receive municipal state aid, which primarily includes all cities with a population of less than 5,000, are eligible for this program. Historically, the program has not been funded each year. However, the 2023 and 2024 legislatures approved annual appropriations for the program. Funding to the account will come from the newly established Transportation Advancement Account (TAA). Although the TAA was established July 1, 2023, the account will not be funded until revenues are collected via a retail delivery fee which was first imposed beginning July 1, 2024. Due to the effective date of the fee, combined with a slow phase-in of dedicated auto parts sales tax, there will not be meaningful TAA funds available until July 1, 2025.

Starting July 1, 2024, a retail delivery fee of 50 cents applies to certain transactions involving retail delivery in Minnesota. Retail delivery means a delivery to a person located in Minnesota of certain items as part of a retail sale. The fee applies to each transaction where charges for these items equal or exceed \$100:

- Tangible personal property subject to sales tax.
- Clothing.

C. Mass transit aid

Public transit systems may be eligible for financial assistance from the state public transit participation program.

VI. Federal and state grants-in-aid

Intergovernmental grants and aids are another form of local financial assistance.

RELEVANT LINKS:

See Minnesota Department of Employment and Economic Development, [DEED Headquarters](#).

[Minn. Stat. ch. 429](#).
See LMC information memo, [Special Assessment Toolkit](#), for information about special assessments.

See LMC information memo, [Public Purpose Expenditures](#).

In Minnesota, there are certain limitations on usage. Cities can generally get federal assistance (when available) if the city is willing to plan each project carefully in consultation with Minnesota planning offices. Because there are usually no population prerequisites, all cities are eligible to participate in these programs.

Most federal grants fall into two categories: those provided and administered by the federal government exclusively, and those provided by the federal government and administered by state agencies.

Any city that wants to check if a federal grant is available for a particular purpose or project should contact its regional development commission or the Department of Employment and Economic Development (DEED) at (651) 259-7114 or (800) 657-3858 or DEED.CustomerService@state.mn.us.

VII. Charges for services

As a general rule, the people benefiting from a particular service should bear the cost of providing the service. General revenues should fund services of direct and essential benefit to the city as a whole, and for which the city cannot equitably apportion costs (ensure costs are shared equally), such as police and fire protection.

Cities can finance many capital improvement costs, such as the construction of streets, improvement of parks, water infrastructure, and installation of sewers, by levying charges against the benefited property owners. These charges are called special assessments.

A. Establishing charges for city services

Fees and service charges should depend strictly on the costs involved in providing the program. The general formula is that income from fees should equal total costs, minus any appropriation from the general fund. In turn, costs should include both operating and capital expenditures.

The general fund should supplement the income from fees and service charges only if the city as a whole derives some benefit from the service program.

Operating a city marina, for example, does not benefit the city as a whole, so it would be difficult to justify an appropriation from the city's general fund. On the other hand, a city owned and operated hospital benefits the city as a whole. In that instance, it is easier to justify a regular appropriation from the general fund.

RELEVANT LINKS:

See Handbook, [City Licensing](#).

If a program provides a general city benefit, the city should use the following formula in determining the amount of the general fund appropriation: the total amount of the city appropriation, divided by the total income from fees, should be equal to the benefits accruing to the general public, divided by the benefits to private users. The proportion of operating costs the city treasury bears should equal the ratio of public benefit to private benefit.

When a city extends a service that receives funds in whole or part by service charges to non-residents, the city should charge non-residents a higher fee than the residents.

Such differential pricing is, in most cases, the only way to ensure equitable treatment and is often used when establishing utility rates and user fees for park and recreation facilities. However, higher license fees for non-residents have generally been more difficult to justify.

With the exception of municipal liquor stores and some city-owned utilities, city service programs should not make a profit. Service charges should enable the program to operate in an efficient manner without accumulating large surpluses or sizable deficits over a period of several years. There is no statutory authority to have a deficit in an enterprise without specific council action to appropriate funds to cover the deficit.

Service programs should reimburse the city for indirect expenses they incur. For example, the general fund should be reimbursed for the efforts of the clerk and the clerk's staff in matters relating to the program. Reimbursement should, however, be in the form of a lump sum amount set in advance of the budget year.

A residual profit, transferred to the general fund at the close of the budget year, is not a satisfactory way to handle this item.

Establishing rates for city-owned utilities involves controversial questions. Most people agree the rates should be high enough to pay all costs of operation and maintenance; to make all debt payments; and to accumulate reserves for replacements, extensions, and improvements in the utility's facilities.

However, many people question whether rates should be high enough to provide cash allowances for the payment of taxes, for the accumulation of reserves for major improvements, and for financial contributions to other city departments. While there is a difference of opinion regarding this matter, cities are advised not to include such taxes in utility operating costs unless the city makes adequate payment for services it receives.

RELEVANT LINKS:

See Handbook,
*Comprehensive Planning,
Land Use and City Owned
Land.*
Handbook, *Community
Development and
Redevelopment.*
Minn. Stat. § 462.353, subd.
4a.

Minn. Stat. § 326B.145.

2007 Minn. Laws, ch. 140, art
13, § 3 *repealing* Minn. Stat.
§ 16B.665.

The council can allow for the accumulation of reserves for major utility improvement to avoid debt for meeting the cost of these improvements. Financial contributions from the utility to other city departments over and above a reasonable charge for services are essentially a charge on the utility user for the benefit of the taxpayer, and are thus open to serious doubt.

Because the primary purpose of municipal liquor dispensaries is control of liquor traffic, a profit is desirable unless it becomes the primary concern of those who establish operating policies. Profit considerations should be limited to regulatory considerations when operating such stores.

The establishment of fees to process land use applications must generally be established by ordinance, and state law governs how these fees must be determined. A statutory exception allows cities that collect an annual cumulative total of \$5,000 or less of planning and zoning fees to adopt a fee schedule by resolution after providing notice and holding a public hearing.

Cities that collect an annual cumulative total that exceeds \$5,000 of “construction and development-related fees” from “developers, builders, and subcontractors” must file a report with the Building Codes and Standards Division of the Minnesota Dept. of Administration by June 30 of each year.

The 2007 Legislature repealed a law limiting permit fees to \$15 for minor residential improvement, installation, or replacement of a residential fixture or certain appliances. Cities may now set reasonable fees for such minor permits.

B. Allowable service charges

Besides fees for public service enterprises, including utilities, many cities commonly charge fees for the following:

- Fire protection to areas outside the city limits.
- City garbage and refuse disposal.
- Collection of recyclables.
- Street lighting.
- Police escort.
- Duplication of traffic accident reports.
- Sewer maintenance.
- Non-city use of the city hall and other equipment.
- The use of city-owned recreation facilities, such as youth centers, swimming pools, golf courses, and marinas.
- The use of facilities in local parks and picnic grounds.

RELEVANT LINKS:

[Country Joe, Inc. v. Eagan](#),
560 N.W. 2d 681 (Minn.
1997).

See Handbook, [City
Licensing](#).

[Minn. Stat. § 609.02, subd. 3,
4a.](#)

[Minn. Stat. § 412.871.](#)

It's important to note that while the above fees are authorized in a variety of ways, cities do not have unlimited authority to impose fees. Whether a proposed fee is authorized is not always clear, so cities must rely on the advice of their legal counsel with respect to fees.

VIII. Regulatory services

Generally, cities cannot use ordinances to raise revenue. Regulatory revenues are a byproduct of the city police power to preserve the public welfare.

However, revenue should be considered when setting license and permit fees. Charges should reimburse the city for the entire cost of regulatory programs. For example, dog license fees should finance the canine control program.

Likewise, a retail, on-sale, intoxicating liquor license fee is intended to cover the cost of issuing licenses, performing inspections, and other costs directly related to the cost of enforcing the regulations.

A. License and permit fees

A complete discussion of license and permit fees is found in Chapter 10 of the Handbook.

Care should be taken when establishing these fees.

B. Fines

When councils pass regulatory ordinances, they should include penalties for violations. The penalties for a misdemeanor may include a maximum fine of \$1,000 or 90 days in jail, or both. The penalty for a petty misdemeanor is a maximum fine of \$300. The ordinance can, but usually does not, provide for a fixed minimum fine – a set amount of money – upon conviction. However, a provision for an arbitrary fixed fine – an amount of money chosen by the judge based on their discretion, even if legally defensible, is usually not a good idea because it removes all opportunity for judicial discretion – the judge's ability to decide what should be done in a particular situation.

Beyond establishing where an ordinance violation is a misdemeanor or petty misdemeanor, councils have no control over city revenues from this source. A judicial officer (district court judge) imposes and collects fines for ordinance violations.

Only a portion of the fine goes to the city. The treasurer receives duplicate receipts for the money and must file one with the city clerk.

RELEVANT LINKS:

[Minn. Stat. § 465.03.](#)
[Minn. Stat. § 465.04.](#)

[Accepting Donations](#), LMC
Model Resolution.

[Minn. Stat. § 471.895.](#)
[Minn. Stat. § 10A.071.](#)

[Minn. Stat. § 465.03.](#)

[Office of the State Auditor,](#)
[Fundraising Activities.](#)

[Accepting Donations](#), LMC
Model Resolution.

LMC information memo,
[Public Purpose Expenditures.](#)

[Minn. Stat. § 276.131.](#)

[Minn. Stat. § 279.02, subd. 1.](#)

See Handbook, [Municipal Budgeting](#).

A.G. Op. 59-b-10 (Oct. 3,
1962).

IX. Gifts and Donations

Cities can accept gifts of real or personal property, including money, and use them if they follow the donor's terms. However, a city cannot accept or use gifts for religious or sectarian purposes.

A resolution accepting the gift and the donor's terms must receive an affirmative vote of two-thirds of the members of the council. Under the state gift ban law, an individual officer or employee of a city may generally not accept a gift.

Cities often ask whether they can accept donations. While cities cannot fundraise or solicit donations, cities can accept donations, which are considered gifts of money.

Like with gifts, each acceptance of a donation must be approved by resolution of the council adopted by two-thirds majority vote of the members. Any resolution should also include the donor's terms. A city can accept donations "for the benefit of its citizens," suggesting that accepting donations, like making donations, must be done for a public purpose.

X. Interest income

As part of their tax settlement, cities receive interest and penalties on delinquent general taxes and special assessments. A delinquent tax is a tax that has not been paid. Penalties and interest collected on special assessments generally go into the local improvement fund. Penalties collected on delinquent property tax are distributed to counties and school districts, not cities.

Cities get a share of the interest on delinquent property tax if the taxes have been delinquent for a period of more than one year. Property tax is considered delinquent on the 1st business day in January following the year in which the taxes were due.

XI. Enterprise funds

Certain city "enterprises" often pay additional income into the city's general fund. Enterprise funds are like city businesses that operate on the revenue generated by the products they sell, such as water and sewer services or mass transit.

Cities can generally transfer surplus earnings from an enterprise fund to the general fund if the money is not pledged to outstanding obligations or otherwise impressed with a specific trust under the law.

RELEVANT LINKS:

[Minn. Stat. § 412.271.](#)
[Minn. Stat. § 412.141.](#)
[Minn. Stat. § 426.19.](#)
[Minn. Stat. § 447.045.](#)
[Minn. Stat. § 426.20.](#)

[Minn. Stat. § 412.371.](#)

[Minn. Stat. ch. 118A.](#)
See LMC information memo,
[City Deposits and Investments.](#)

See Handbook, [Debt and Borrowing.](#)

Generally, a city can use municipal liquor store profits for any legitimate municipal purpose. Specifically, a city can use municipal liquor store profits for the construction, operation, repair, and maintenance of sewers, water, public buildings, and the payment of bonds. Municipal liquor store profits can also be used for a community hospital under certain circumstances. A city generally cannot transfer funds into the municipal liquor store fund without holding a public hearing.

Similarly, a statutory city that has a city utilities commission can receive surplus utility funds into its general fund. Most city charters contain similar provisions.

XII. Investment of idle funds

City officials sometimes overlook another significant source of interest income: proceeds from the investment of idle city funds. The term “idle funds” refers to the money in the city treasury that is not needed to meet current demands for cash payments. The law allows the funds to be invested in interest-earning securities. All city investment practices must follow state law. Not all investments available to private investors are available for the investment of public funds. Recent experiences have demonstrated the difference between legal investments and wise investments.

A key factor in the success of any investment program is determining which idle funds are available for investment. Cities should invest as much money as possible, thereby maximizing their interest income, but they should not invest so much that it interferes with their administrative operations. Determining when and how much money to invest requires a cash forecast, which is an estimation of the amount of cash coming in and leaving the city over a specific period of time.

The city must consider the annual city budget, financial statements from previous years, departmental budget requests, engineering and construction timetables, expenditure plans, and other data when preparing a cash forecast.

XIII. Borrowing

Care should be taken to follow the law when borrowing money or issuing debt.

XIV. How this chapter applies to home rule charter cities

All of the sources of income in this chapter are available to charter cities.

RELEVANT LINKS: