

HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH SESSION

HOUSE FILE No. 3357

February 25, 2008

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The bill was read for the first time and referred to the Committee on Local Government and Metropolitan Affairs

March 5, 2008

Committee Recommendation and Adoption of Report:

To Pass as Amended and re-referred to the Committee on Governmental Operations, Reform, Technology and Elections

March 17, 2008

Committee Recommendation and Adoption of Report:

To Pass

Read Second Time

A bill for an act

relating to municipal boundary adjustments; providing for changes in municipal boundaries; imposing powers and duties on the chief administrative law judge; amending Minnesota Statutes 2006, sections 4A.02; 40A.121, subdivision 1; 272.67, subdivision 1; 276A.09; 365.46, subdivision 2; 379.05; 412.021, subdivision 1; 412.091; 414.01, subdivisions 1, 1a, 8a, 16; 414.011, by adding a subdivision; 414.02, subdivision 1a; 414.031, subdivisions 1a, 4, by adding a subdivision; 414.0325, subdivisions 1, 5; 414.0333; 414.035; 414.067, subdivision 1; 414.12, subdivisions 1, 3, 4, by adding subdivisions; 462.3535, subdivision 5; 473F.13, subdivision 1; 473H.14; 572A.01, subdivision 2; 572A.015, subdivision 2; 572A.02, subdivision 6; Minnesota Statutes 2007 Supplement, section 414.0325, subdivision 1b; Laws 2006, chapter 270, article 2, section 1, as amended; repealing Minnesota Statutes 2006, sections 414.01, subdivision 7a; 414.011, subdivision 11; 414.12, subdivision 2.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

ARTICLE 1

MUNICIPAL BOUNDARIES ADJUSTMENTS

Section 1. Minnesota Statutes 2006, section 414.01, subdivision 1, is amended to read:

Subdivision 1. A duty of ~~planning director~~ chief administrative law judge.

~~Among the duties of the director of the Office of Strategic and Long-Range Planning is the duty to~~ The chief administrative law judge shall conduct proceedings, make

determinations, and issue orders for the creation of a municipality, the combination of two or more governmental units, or the alteration of a municipal boundary.

Sec. 2. Minnesota Statutes 2006, section 414.01, subdivision 1a, is amended to read:

Subd. 1a. Legislative findings. The legislature finds that:

(1) sound urban development and preservation of agricultural land and open spaces through land use planning is essential to the continued economic growth of this state;

(2) municipal government most efficiently provides governmental services in areas intensively developed for residential, commercial, industrial, and governmental purposes; and township government most efficiently provides governmental services in areas used or developed for agricultural, open space, and rural residential purposes;

(3) the public interest requires that municipalities be formed when there exists or will likely exist the necessary resources to provide for their economical and efficient operation;

(4) annexation to existing municipalities of unincorporated areas unable to supply municipal services should be facilitated; and

(5) joint resolutions for orderly annexation, consolidation of municipalities, mergers of towns and municipalities, long-range joint powers planning or other cooperative efforts among counties, cities, and towns should be encouraged.

Sec. 3. Minnesota Statutes 2006, section 414.01, subdivision 8a, is amended to read:

Subd. 8a. **Powers of conductor of proceedings.** Any person conducting a proceeding under this chapter may administer oaths and affirmations; ~~issue subpoenas; compel the attendance and~~ receive testimony of witnesses, and the production of papers, books, and documents; examine witnesses; and receive and report evidence. Upon the written request of a presiding administrative law judge or a party, the chief administrative law judge may issue a subpoena for the attendance of a witness or the production of books, papers, records, or other documents material to any proceeding under this chapter. The subpoenas shall be enforceable through the district court in the district in which the subpoena is issued.

Sec. 4. Minnesota Statutes 2006, section 414.01, subdivision 16, is amended to read:

Subd. 16. **Compelled meetings; report.** In any proceeding under this chapter, the ~~director~~ chief administrative law judge or conductor of the proceeding may at any time in the process require representatives from ~~the~~ any petitioning property owner or involved city, town, county, political subdivision, or other governmental entity to meet together to discuss resolution of issues raised by the petition or order that confers jurisdiction on the ~~director~~ chief administrative law judge and other issues of mutual concern. The chief administrative law judge or conductor of the proceeding may determine which entities are required to participate in these discussions. The ~~director~~ chief administrative law judge or conductor of the proceeding may require that the parties meet at least three times during a 60-day period. The parties shall designate a person to report to the ~~director~~ chief administrative law judge or conductor of the proceeding on the results of the meetings

immediately after the last meeting. The parties may be granted additional time at the discretion of the chief administrative law judge or conductor of the proceedings.

Any proposed resolution or settlement of contested issues that results in a municipal boundary change, places conditions on any future municipal boundary change, or results in the withdrawal of an objection to a pending proceeding or the withdrawal of a pending proceeding must be filed with the chief administrative law judge and is subject to the applicable procedures and statutory criteria of this chapter.

Sec. 5. Minnesota Statutes 2006, section 414.011, is amended by adding a subdivision to read:

Subd. 12. **Chief administrative law judge.** "Chief administrative law judge" means the chief administrative law judge of the state Office of Administrative Hearings or the delegate of the chief administrative law judge under section 14.48.

Sec. 6. Minnesota Statutes 2006, section 414.02, subdivision 1a, is amended to read:

Subd. 1a. **Notice of intent to incorporate.** (a) At least 30 days before submitting
~~to the director~~ the petition or resolution to the chief administrative law judge under this
section, the township must serve the clerk of each municipality and each township that is
contiguous to the township by certified mail a notice of the township's intent to incorporate.

(b) If the proceedings for incorporation are initiated by the requisite number of
property owners, the notice of intent to incorporate must be served by the property owner
or owners or designee in the manner required under this paragraph. The property owner
or owners or designee must serve a notice of intent to incorporate on the town board of
the township containing the area proposed for incorporation. The property owner or
owners or designee must also serve the clerk of each municipality and each township that
is contiguous to the area proposed for incorporation by certified mail a notice of intent
to incorporate.

Sec. 7. Minnesota Statutes 2006, section 414.031, subdivision 1a, is amended to read:

Subd. 1a. **Notice of intent to annex.** ~~At least 30 days before submitting to the~~
~~director~~ a petition or resolution to the chief administrative law judge under this section,
the petitioning municipality or petitioning property owner or supporting municipality
must serve the township clerk of the affected township by certified mail a notice of the
petitioning municipality's or the petitioning property owner's intent to annex property
within the township. The notice must clearly identify the boundaries of the area proposed
to be annexed.

Sec. 8. Minnesota Statutes 2006, section 414.031, is amended by adding a subdivision to read:

Subd. 3a. **Presiding administrative law judge; tour.** During the evidentiary hearing process, the presiding administrative law judge shall tour the proposed annexation area along with at least one representative of each of the affected towns and municipalities. Prior to the tour of the proposed annexation area, the affected towns and municipalities shall agree on the route or the administrative law judge shall determine the route for the affected towns and municipalities and resolve all disputes regarding the tour.

Sec. 9. Minnesota Statutes 2006, section 414.031, subdivision 4, is amended to read:

Subd. 4. **Relevant factors, order.** (a) In arriving at a decision, the ~~director~~ presiding administrative law judge shall consider the following sources and factors:

(1) recordings and public documents from joint informational meetings under section 414.0333 relevant to other factors listed in this subdivision;

(2) present population and number of households, past population and projected population growth of the annexing municipality and subject area and adjacent units of local government;

(3) quantity of land within the subject area and adjacent units of local government; and natural terrain including recognizable physical features, general topography, major watersheds, soil conditions and such natural features as rivers, lakes and major bluffs;

(4) degree of contiguity of the boundaries between the annexing municipality and the subject area;

(5) present pattern of physical development, planning, and intended land uses in the subject area and the annexing municipality including residential, industrial, commercial, agricultural and institutional land uses and the impact of the proposed action on those land uses;

(6) the present transportation network and potential transportation issues, including proposed highway development;

(7) land use controls and planning presently being utilized in the annexing municipality and the subject area, including comprehensive plans for development in the area and plans and policies of the Metropolitan Council, and whether there are inconsistencies between proposed development and existing land use controls and the reasons therefore;

(8) existing levels of governmental services being provided in the annexing municipality and the subject area, including water and sewer service, fire rating and protection, law enforcement, street improvements and maintenance, administrative

5.1 services, and recreational facilities and the impact of the proposed action on the delivery
5.2 of said services;

5.3 (9) the implementation of previous annexation agreements and orders;

5.4 (10) existing or potential environmental problems and whether the proposed action
5.5 is likely to improve or resolve these problems;

5.6 (11) plans and programs by the annexing municipality for providing needed and
5.7 enhanced governmental services to the subject area in a cost-effective and feasible manner
5.8 within a reasonable time from the date of the annexation;

5.9 (12) an analysis of the fiscal impact on the annexing municipality, the subject area,
5.10 and adjacent units of local government, including net tax capacity and the present bonded
5.11 indebtedness, and the local tax rates of the county, school district, and township;

5.12 (13) relationship and effect of the proposed action on affected and adjacent school
5.13 districts and communities;

5.14 (14) adequacy of town government to deliver services to the subject area;

5.15 (15) analysis of whether necessary governmental services can best be provided
5.16 through the proposed action or another type of boundary adjustment; ~~and~~

5.17 (16) if only a part of a township is annexed, the ability of the remainder of the
5.18 township to continue or the feasibility of it being incorporated separately or being annexed
5.19 to another municipality; and

5.20 (17) information received by the presiding administrative law judge from the tour
5.21 required under subdivision 3a.

5.22 (b) Based upon the factors, the ~~director~~ presiding administrative law judge may
5.23 order the annexation on finding:

5.24 (1) that the subject area is now, or is about to become, urban or suburban in character;

5.25 (2) that municipal government in the area proposed for annexation is required to
5.26 protect the public health, safety, and welfare; or

5.27 (3) that the annexation would be in the best interest of the subject area.

5.28 (c) If only a part of a township is to be annexed, the ~~director~~ presiding administrative
5.29 law judge shall consider whether the remainder of the township can continue to carry on
5.30 the functions of government without undue hardship.

5.31 (d) The ~~director~~ presiding administrative law judge shall deny the annexation on
5.32 finding that the increase in revenues for the annexing municipality bears no reasonable
5.33 relation to the monetary value of benefits conferred upon the annexed area.

5.34 (e) The ~~director~~ presiding administrative law judge may deny the annexation on
5.35 finding:

(1) that annexation of all or a part of the property to an adjacent municipality would better serve the interests of the residents of the property; or

(2) that the remainder of the township would suffer undue hardship.

(f) The ~~director~~ presiding administrative law judge may alter the boundaries of the area to be annexed by increasing or decreasing the area so as to include only that property which is now or is about to become urban or suburban in character or to add property of such character abutting the area proposed for annexation in order to preserve or improve the symmetry of the area, or to exclude property that may better be served by another unit of government.

(g) The ~~director~~ presiding administrative law judge may also alter the boundaries of the proposed annexation so as to follow visible, clearly recognizable physical features.

(h) If the ~~director~~ presiding administrative law judge determines that part of the area would be better served by another municipality or township, the ~~director~~ presiding administrative law judge may initiate and approve annexation by conducting further hearings and issuing orders pursuant to subdivisions 3 and 4.

(i) In all cases, the ~~director~~ presiding administrative law judge shall set forth the factors which are the basis for the decision.

Sec. 10. Minnesota Statutes 2006, section 414.0325, subdivision 1, is amended to read:

Subdivision 1. **Initiating the proceeding.** (a) One or more townships and one or more municipalities, by joint resolution, may designate an unincorporated area as in need of orderly annexation. One or more municipalities, by joint resolution with the county, may designate an unincorporated area in which there is no organized township government as in need of orderly annexation.

(b) A designated area is any area which the signatories to a joint resolution for orderly annexation have identified as being appropriate for annexation, either currently or at some point in the future, pursuant to the negotiated terms and conditions set forth in the joint resolution. Land described as a designated area is not, by virtue of being so described, considered also to be annexed for purposes of this chapter.

(c) The joint resolution will confer jurisdiction on the ~~director~~ chief administrative law judge over annexations in the designated area and over the various provisions in said agreement by submission of said joint resolution to the ~~director~~ chief administrative law judge.

~~(e)~~ (d) The resolution shall include a description of the designated area and the reasons for designation.

7.1 ~~(d)~~ (e) Thereafter, an annexation of any part of the designated area may be initiated
7.2 by:

7.3 (1) submitting to the ~~director~~ chief administrative law judge a resolution of any
7.4 signatory to the joint resolution; or

7.5 (2) the ~~director~~ chief administrative law judge.

7.6 ~~(e)~~ (f) Whenever a state agency, other than the pollution control agency, orders a
7.7 municipality to extend a municipal service to an area, the order confers jurisdiction on
7.8 the ~~director~~ chief administrative law judge to consider designation of the area for orderly
7.9 annexation.

7.10 ~~(f)~~ (g) If a joint resolution designates an area as in need of orderly annexation
7.11 and states that no alteration of its stated boundaries is appropriate, the ~~director~~ chief
7.12 administrative law judge may review and comment, but may not alter the boundaries.

7.13 ~~(g)~~ (h) If a joint resolution designates an area as in need of orderly annexation,
7.14 provides for the conditions for its annexation, and states that no consideration by the
7.15 ~~director~~ chief administrative law judge is necessary, the ~~director~~ chief administrative
7.16 law judge may review and comment, but shall, within 30 days, order the annexation in
7.17 accordance with the terms of the resolution.

7.18 Sec. 11. Minnesota Statutes 2007 Supplement, section 414.0325, subdivision 1b,
7.19 is amended to read:

7.20 Subd. 1b. **Notice of intent to designate an area.** At least ten days before the
7.21 municipality or township adopts an orderly annexation agreement, a notice of the intent
7.22 to include property in an orderly annexation area must be published in a newspaper of
7.23 general circulation in both the township and municipality. The notice must clearly identify
7.24 the boundaries of the area proposed to be included in the orderly annexation agreement
7.25 ~~and the date, time, and place of the public informational meeting to be held as provided~~
7.26 ~~in section 414.0333.~~ The cost of providing notice must be equally divided between the
7.27 municipality and the township, unless otherwise agreed upon by the municipality and the
7.28 township. This subdivision applies only to the initial designation to include property in an
7.29 orderly annexation area subject to the orderly annexation agreement, or any expansion of
7.30 the orderly annexation area subject to the agreement, and not to any subsequent annexation
7.31 of any property from within the designated ~~orderly annexation~~ area. This subdivision also
7.32 does not apply when the orderly annexation agreement only designates for immediate
7.33 annexation property for which all of the property owners have petitioned to be annexed.

7.34 Sec. 12. Minnesota Statutes 2006, section 414.0325, subdivision 5, is amended to read:

8.1 Subd. 5. **Planning in orderly annexation area.** (a) ~~A joint resolution~~ An orderly
8.2 annexation agreement may provide for the establishment of a board to exercise planning
8.3 and land use control authority within any area designated as an orderly annexation area
8.4 pursuant to this section, in the manner prescribed by section 471.59, ~~subdivisions 2 to~~
8.5 ~~8, inclusive.~~ The orderly annexation agreement may also delegate planning and land
8.6 use authority to the municipalities or towns or may establish some other process within
8.7 the orderly annexation agreement to accomplish planning and land use control of the
8.8 designated area.

8.9 (b) A board or other planning authority designated or established pursuant to ~~a joint~~
8.10 ~~resolution~~ an orderly annexation agreement shall have all of the powers contained in
8.11 sections 462.351 to 462.364, and shall have the authority to adopt and enforce the State
8.12 Fire Code promulgated pursuant to section 299F.011.

8.13 (c) The ~~joint resolution~~ orderly annexation agreement may provide that joint
8.14 planning and land use controls shall apply to any or all parts of the area designated
8.15 for orderly annexation as well as to any adjacent unincorporated or incorporated area,
8.16 provided that the area to be included shall be described in the joint resolution.

8.17 (d) If the ~~joint resolution~~ orderly annexation agreement does not provide for joint
8.18 planning and land use control, delegate planning and land use control to the municipalities
8.19 or towns, or establish some other process for planning and land use authority, the
8.20 following procedures shall govern:

8.21 (1) if the county and townships agree to exclude the area from their zoning
8.22 and subdivision ordinances, the municipality may extend its zoning and subdivision
8.23 regulations to include the entire orderly annexation area as provided in section 462.357,
8.24 subdivision 1, and section 462.358, subdivision 1; or

8.25 (2) if the county and township do not agree to such extraterritorial zoning and
8.26 subdivision regulation by the municipality, zoning and subdivision regulation within
8.27 the orderly annexation area shall be controlled by a three-member committee with one
8.28 member appointed from each of the municipal, town, and county governing bodies.

8.29 (e) The committee under paragraph (d), clause (2), shall:

8.30 (1) serve as the "governing body" and "board of appeals and adjustments," for
8.31 purposes of sections 462.357 and 462.358, within the orderly annexation area; and

8.32 (2) have all of the powers contained in sections 462.351 to 462.364, and the authority
8.33 to adopt and enforce the State Fire Code promulgated pursuant to section 299F.011.

8.34 Sec. 13. Minnesota Statutes 2006, section 414.0333, is amended to read:

8.35 **414.0333 JOINT INFORMATIONAL MEETING.**

9.1 There must be a joint informational meeting of the municipal council of the annexing
9.2 municipality and the town board of supervisors of the township containing the land
9.3 proposed to be annexed or included in annexation proceedings under section 414.031.
9.4 For an annexation under section 414.031, the joint informational meeting must be held
9.5 after the final mediation meeting or the final meeting held pursuant to section 414.01,
9.6 subdivision 16, if any, and before the hearing on the matter is held. If no mediation
9.7 meetings are held, the joint informational meeting must be held after the initiating
9.8 documents have been filed and before the hearing on the matter. The time, date, and
9.9 place of the public informational meeting must be determined jointly by the chair of the
9.10 town board of supervisors and the mayor of the annexing municipality. The chair of the
9.11 town board of supervisors and the mayor must serve as the cochairs for the informational
9.12 meeting. Notice of the time, date, place, and purpose of the informational meeting must be
9.13 posted by the town clerk in the township's designated place for posting notices, and by the
9.14 municipal clerk in the municipality's designated place for posting notices. ~~A joint notice~~
9.15 ~~shall be published in a newspaper of general circulation within both the municipality and~~
9.16 ~~the township.~~ In addition, both the city and town shall publish, at their own expense,
9.17 notice in their respective official newspapers. If the city and town use the same official
9.18 newspaper, a joint notice may be published and the costs evenly divided. All notice
9.19 required by this section must be provided at least ten days before the date for the public
9.20 informational meeting. At the public informational meeting, all persons appearing must
9.21 have an opportunity to be heard, but the co-chairs may, by mutual agreement, establish
9.22 the amount of time allowed for each speaker. The municipal council, the town board of
9.23 supervisors, and any resident or affected property owner may be represented by counsel
9.24 and ~~introduce evidence including, but not limited to, expert testimony into the record~~
9.25 ~~of the informational meeting~~ may place into the record of the informational meeting
9.26 documents, expert opinions, or other materials supporting their positions on issues raised
9.27 by the proposed annexation proceeding. The clerk of the township must record minutes
9.28 of the proceedings of the informational meeting and the municipal clerk must make an
9.29 audio recording of the informational meeting. The township must provide the ~~director~~
9.30 chief administrative law judge and the municipality with a copy of the printed minutes
9.31 and the municipality must provide the ~~director~~ chief administrative law judge and the
9.32 township with a copy of the audio recording. The record of the informational meeting for
9.33 a proceeding under section 414.031 is admissible in any proceeding under this chapter
9.34 and shall be taken into consideration by the ~~director~~ chief administrative law judge or the
9.35 ~~director's~~ chief administrative law judge's designee.

10.1 Sec. 14. Minnesota Statutes 2006, section 414.035, is amended to read:

10.2 **414.035 DIFFERENTIAL TAXATION FOR UP TO SIX YEARS.**

10.3 Whenever an order, under section 414.031, ~~414.0325, or 414.033,~~ annexes part or all
10.4 of a township to a municipality, the order may provide that the tax rate of the annexing
10.5 municipality on the area annexed shall be increased in substantially equal proportions
10.6 over not more than six years to equality with the tax rate on the property already within
10.7 the municipality. The appropriate period, if any, shall be based on the time reasonably
10.8 required to effectively provide ~~full~~ property-tax-supported municipal services to the
10.9 annexed area. Nothing in this section prohibits a differential tax provision from being
10.10 included in an orderly annexation agreement.

10.11 Sec. 15. Minnesota Statutes 2006, section 414.067, subdivision 1, is amended to read:

10.12 Subdivision 1. **Township or municipality divided.** Whenever the ~~director~~ chief
10.13 administrative law judge divides an existing governmental unit, the ~~director~~ chief
10.14 administrative law judge, or other qualified person designated by the chief administrative
10.15 law judge with the concurrence of the parties, may apportion the property and obligations
10.16 between the governmental unit adding territory and the governmental unit from which
10.17 the territory was obtained. The apportionment shall be made in a just and equitable
10.18 manner having in view the value of the existing township or municipal property located
10.19 in the area to be added; ~~the~~ the assets, value, and location of all the taxable property in the
10.20 existing township or municipality; ~~the~~ the indebtedness, the taxes due and delinquent, other
10.21 revenue accrued but not paid to the existing township or municipality; and the ability of
10.22 any remainder of the township or municipality to function as an effective governmental
10.23 unit. The order shall not relieve any property from any tax liability for payment for
10.24 any bonded obligation, but the taxable property in the new municipality may be made
10.25 primarily liable thereon.

10.26 Sec. 16. Minnesota Statutes 2006, section 414.12, subdivision 1, is amended to read:

10.27 Subdivision 1. **Alternative dispute resolution.** (a) Notwithstanding anything to
10.28 the contrary in sections 414.01 to 414.09, before assigning a matter to an administrative
10.29 law judge for hearing, the ~~director~~ chief administrative law judge, upon consultation with
10.30 affected parties and considering the procedures and principles established in sections
10.31 414.01 to 414.09, ~~and Laws 1997, chapter 202, article 4, sections 1 to 13,~~ may require that
10.32 disputes over proposed boundary adjustments be ~~resolved~~ addressed in whole or in part
10.33 by means of alternative dispute resolution processes in place of, or in connection with,

hearings that would otherwise be required pursuant to sections 414.01 to 414.09, including those provided in chapter 14, ~~in the execution of the director's duties under this chapter.~~

~~(b) Alternative dispute resolution processes that may be required include:~~

~~(1) the contested case procedures provided by sections 14.57 to 14.62;~~

~~(2) the mediation and arbitration process provided by sections 572A.015 to 572A.03;~~

~~or~~

~~(3) another mediation and arbitration process ordered by the director.~~

(b) In all proceedings, the chief administrative law judge has the authority and responsibility to conduct hearings and issue final orders related to the hearings under sections 414.01 to 414.09.

Sec. 17. Minnesota Statutes 2006, section 414.12, subdivision 3, is amended to read:

Subd. 3. **Cost of proceedings.** (a) The parties to any matter directed to alternative dispute resolution under subdivision 1 ~~or delegated to the Office of Administrative Hearings under subdivision 2~~ must pay the costs of the alternative dispute resolution process or hearing in the proportions that they agree to.

(b) Notwithstanding section 14.53 or other law, the Office of ~~strategic and long-range planning~~ Administrative Hearings is not liable for the costs.

(c) If the parties do not agree to a division of the costs before the commencement of mediation, arbitration, or hearing, the costs must be allocated on an equitable basis by the mediator, arbitrator, or chief administrative law judge.

(d) The chief administrative law judge may contract with the parties to a matter ~~directed or delegated to the Office of Administrative Hearings under subdivisions 1 and 2~~ for the purpose of providing administrative law judges and reporters for an administrative proceeding or alternative dispute resolution.

(e) The chief administrative law judge shall assess the cost of services rendered by the Office of Administrative Hearings as provided by section 14.53.

Sec. 18. Minnesota Statutes 2006, section 414.12, subdivision 4, is amended to read:

Subd. 4. **Parties.** In this section, "party" means:

(1) a property owner, group of property owners, municipality, or township that files an initiating document or timely objection under this chapter;

(2) the municipality or township within which the subject area is located;

(3) a municipality abutting the subject area; and

(4) any other person, group of persons, or governmental agency residing in, owning property in, or exercising jurisdiction over the subject area that ~~files with the director~~

12.1 ~~a notice of appearance within 14 days of publication of the notice required by section~~
12.2 ~~414.09.~~ submits a timely request, and is determined by the presiding administrative law
12.3 judge to have a direct legal interest that will be affected by the outcome of the proceeding.

12.4 Sec. 19. Minnesota Statutes 2006, section 414.12, is amended by adding a subdivision
12.5 to read:

12.6 Subd. 5. **Effectuation of agreements.** Matters resolved or agreed to by the parties
12.7 as a result of an alternative dispute resolution process, or otherwise, may be incorporated
12.8 into a joint resolution adopted pursuant to section 414.0325, subdivision 1, or into one or
12.9 more stipulations for purposes of further proceedings in accordance with the applicable
12.10 procedures and statutory criteria of this chapter.

12.11 Sec. 20. Minnesota Statutes 2006, section 414.12, is amended by adding a subdivision
12.12 to read:

12.13 Subd. 6. **Limitations on authority.** Nothing in this section shall be construed to
12.14 permit any municipality, town, or other political subdivision to take, or agree to take, any
12.15 action that is not otherwise authorized by this chapter.

12.16 Sec. 21. Laws 2006, chapter 270, article 2, section 1, as amended by Laws 2007,
12.17 chapter 90, section 4, is amended to read:

12.18 Section 1. **MUNICIPAL BOUNDARY ADJUSTMENT ADVISORY TASK**
12.19 **FORCE ESTABLISHED.**

12.20 Subdivision 1. **Membership.** An advisory task force on municipal boundary
12.21 adjustments is established to study and make recommendations on what, if any, changes
12.22 should be made to the law governing municipal boundary adjustments. The task force
12.23 shall develop recommendations regarding best practices annexation training for city and
12.24 township officials to better communicate and jointly plan potential annexations. The task
12.25 force is comprised of the following members:

12.26 (1) two members of the senate, one appointed by the majority leader and one
12.27 appointed by the minority leader;

12.28 (2) two members of the house of representatives, one appointed by the speaker of the
12.29 house and one appointed by the minority leader;

12.30 (3) three representatives of city interests, appointed by the League of Minnesota
12.31 Cities in consultation with the Association of Metropolitan Municipalities, the Coalition
12.32 of Greater Minnesota Cities, and the Minnesota Association of Small Cities;

13.1 (4) three representatives of township interests, appointed by the Minnesota
13.2 Association of Townships; and

13.3 (5) one person appointed jointly by the senate majority leader and the speaker of the
13.4 house of representatives to serve as chair of the task force, selected based on knowledge
13.5 and experience in municipal boundary adjustment issues and who could serve without bias
13.6 towards either side of the issue of annexation. The chair must convene the first meeting of
13.7 the task force no later than August 1, 2007.

13.8 All appointing authorities must make the appointments to the task force within 30 days of
13.9 the effective date of this section and shall provide for balance of geographic areas of the
13.10 state and city and town interests.

13.11 Subd. 2. **Report by ~~January~~ December 31, 2008.** The task force shall report its
13.12 interim recommendations to the chairs and members of the house of representatives and
13.13 senate committees with jurisdiction over municipal boundary adjustments by ~~January 15~~
13.14 March 1, 2008, and its final recommendations by December 31, 2008. The task force shall
13.15 also provide a copy of its recommendations to the Legislative Reference Library.

13.16 Subd. 3. **Expenses.** The cost of preparing the report must be divided among the
13.17 League of Minnesota Cities, the Coalition of Greater Minnesota Cities, and the Minnesota
13.18 Association of Townships.

13.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.
13.20 The Municipal Boundary Adjustment Advisory Task Force expires on ~~June 30, 2008~~
13.21 January 15, 2009.

13.22 Sec. 22. **REPEALER.**

13.23 Minnesota Statutes 2006, sections 414.01, subdivision 7a; 414.011, subdivision 11;
13.24 and 414.12, subdivision 2, are repealed.

13.25 Sec. 23. **EFFECTIVE DATE.**

13.26 This article is effective the day following final enactment.

13.27 ARTICLE 2

13.28 CONFORMING CHANGES

13.29 Section 1. Minnesota Statutes 2006, section 4A.02, is amended to read:

13.30 **4A.02 STATE DEMOGRAPHER.**

- 14.1 (a) The director shall appoint a state demographer. The demographer must be
14.2 professionally competent in demography and must possess demonstrated ability based
14.3 upon past performance.
- 14.4 (b) The demographer shall:
- 14.5 (1) continuously gather and develop demographic data relevant to the state;
- 14.6 (2) design and test methods of research and data collection;
- 14.7 (3) periodically prepare population projections for the state and designated regions
14.8 and periodically prepare projections for each county or other political subdivision of the
14.9 state as necessary to carry out the purposes of this section;
- 14.10 (4) review, comment on, and prepare analysis of population estimates and
14.11 projections made by state agencies, political subdivisions, other states, federal agencies, or
14.12 nongovernmental persons, institutions, or commissions;
- 14.13 (5) serve as the state liaison with the United States Bureau of the Census, coordinate
14.14 state and federal demographic activities to the fullest extent possible, and aid the
14.15 legislature in preparing a census data plan and form for each decennial census;
- 14.16 (6) compile an annual study of population estimates on the basis of county, regional,
14.17 or other political or geographical subdivisions as necessary to carry out the purposes of
14.18 this section and section 4A.03;
- 14.19 (7) by January 1 of each year, issue a report to the legislature containing an analysis
14.20 of the demographic implications of the annual population study and population projections;
- 14.21 (8) prepare maps for all counties in the state, all municipalities with a population
14.22 of 10,000 or more, and other municipalities as needed for census purposes, according to
14.23 scale and detail recommended by the United States Bureau of the Census, with the maps
14.24 of cities showing precinct boundaries;
- 14.25 (9) prepare an estimate of population and of the number of households for each
14.26 governmental subdivision for which the Metropolitan Council does not prepare an annual
14.27 estimate, and convey the estimates to the governing body of each political subdivision
14.28 by June 1 of each year;
- 14.29 (10) direct, under section 414.01, subdivision 14, and certify population and
14.30 household estimates of annexed or detached areas of municipalities or towns after being
14.31 notified of the order or letter of approval by the ~~director~~ chief administrative law judge of
14.32 the State Office of Administrative Hearings;
- 14.33 (11) prepare, for any purpose for which a population estimate is required by law
14.34 or needed to implement a law, a population estimate of a municipality or town whose
14.35 population is affected by action under section 379.02 or 414.01, subdivision 14; and

(12) prepare an estimate of average household size for each statutory or home rule charter city with a population of 2,500 or more by June 1 of each year.

(c) A governing body may challenge an estimate made under paragraph (b) by filing their specific objections in writing with the state demographer by June 24. If the challenge does not result in an acceptable estimate, the governing body may have a special census conducted by the United States Bureau of the Census. The political subdivision must notify the state demographer by July 1 of its intent to have the special census conducted. The political subdivision must bear all costs of the special census. Results of the special census must be received by the state demographer by the next April 15 to be used in that year's June 1 estimate to the political subdivision under paragraph (b).

(d) The state demographer shall certify the estimates of population and household size to the commissioner of revenue by July 15 each year, including any estimates still under objection.

Sec. 2. Minnesota Statutes 2006, section 40A.121, subdivision 1, is amended to read:

Subdivision 1. **Annexation prohibited.** Land within an agricultural preserve that is within a township may not be annexed to a municipality under chapter 414, unless the ~~director of the Office of Strategic and Long-Range Planning~~ chief administrative law judge of the state Office of Administrative Hearings finds that either:

(1) the owner or the county has initiated termination of the zone under section 40A.11;

(2) because of size, tax base, population or other relevant factors, the township would not be able to provide normal governmental functions and services; or

(3) the zone would be completely surrounded by lands within a municipality.

Sec. 3. Minnesota Statutes 2006, section 272.67, subdivision 1, is amended to read:

Subdivision 1. **City powers.** Any city however organized, except in those counties situated in a metropolitan area as defined in Minnesota Statutes 1961, Section 473.02, Subdivision 5, which contain cities of the first class, may by ordinance adopted in the manner provided in this section divide its area into an urban service district and a rural service district, constituting separate taxing districts for the purpose of all municipal property taxes except those levied for the payment of bonds and judgments and interest thereon. In proceedings for annexation, incorporation, or consolidation being conducted pursuant to chapter 414, the ~~director of the Office of Strategic and Long-Range Planning~~ chief administrative law judge of the state Office of Administrative Hearings may divide a municipality into an urban service district and a rural service district, such districts to be

designated in accordance with the criteria set out in subdivision 2. Thereafter, said urban service district and rural service district may be changed in the same manner that an ordinance or amendment is changed in accordance with this section.

Sec. 4. Minnesota Statutes 2006, section 276A.09, is amended to read:

276A.09 CHANGE IN STATUS OF MUNICIPALITY.

If a municipality is dissolved, is consolidated with all or part of another municipality, annexes territory, has a portion of its territory detached from it, or is newly incorporated, the secretary of state shall immediately certify that fact to the commissioner of revenue. The secretary of state shall also certify to the commissioner of revenue the current population of the new, enlarged, or successor municipality, if determined by the ~~director of the Office of Strategic and Long-Range Planning~~ chief administrative law judge of the state Office of Administrative Hearings incident to consolidation, annexation, or incorporation proceedings. The population so certified shall govern for purposes of sections 276A.01 to 276A.09 until the state demographer files the first population estimate as of a later date with the commissioner of revenue. If an annexation of unincorporated land occurs without proceedings before the ~~director of the Office of Strategic and Long-Range Planning~~ chief administrative law judge of the state Office of Administrative Hearings, the population of the annexing municipality as previously determined shall continue to govern for purposes of sections 276A.01 to 276A.09 until the state demographer files the first population estimate as of a later date with the commissioner of revenue.

Sec. 5. Minnesota Statutes 2006, section 365.46, subdivision 2, is amended to read:

Subd. 2. **Copies.** The county auditor shall also send a copy of the notice of the dissolution to: (1) the state demographer, (2) the Land Management Information Center, (3) the ~~director of the Office of Strategic and Long-Range Planning~~ chief administrative law judge of the state Office of Administrative Hearings, and (4) the commissioner of transportation.

Sec. 6. Minnesota Statutes 2006, section 379.05, is amended to read:

379.05 AUDITOR TO SUM UP REPORT FOR STATE, MAKE TOWN RECORD.

Each county auditor shall within 30 days after any such town is organized transmit by mail to the commissioner of revenue, the secretary of state, the state demographer, the Land Management Information Center, the ~~director of the Office of Strategic and Long-Range Planning~~ chief administrative law judge of the state Office of Administrative

17.1 Hearings, and the commissioner of transportation an abstract of such report, giving the
17.2 name and boundaries of such town and record in a book kept for that purpose a full
17.3 description of each such town.

17.4 Sec. 7. Minnesota Statutes 2006, section 412.021, subdivision 1, is amended to read:

17.5 Subdivision 1. **Election.** Upon the filing of the certificate with the secretary of state,
17.6 if the vote is in favor of incorporation, the judges of election appointed by the ~~director of~~
17.7 ~~the Office of Strategic and Long-Range Planning~~ chief administrative law judge of the state
17.8 Office of Administrative Hearings or the county board as the case may be, shall fix a day at
17.9 least 15 and not more than 30 days thereafter and a place for the holding of an election for
17.10 officers. The judges shall also fix the time, not less than three hours, during which the polls
17.11 shall remain open at the election and shall post a notice setting forth the time and place of
17.12 such election in three public places in the city for at least ten days preceding the election.

17.13 Sec. 8. Minnesota Statutes 2006, section 412.091, is amended to read:

17.14 **412.091 DISSOLUTION.**

17.15 Whenever a number of voters equal to one-third of those voting at the last preceding
17.16 city election petition the ~~director of the Office of Strategic and Long-Range Planning~~
17.17 ~~therefor~~ chief administrative law judge of the state Office of Administrative Hearings to
17.18 dissolve the city, a special election shall be called to vote upon the question ~~of dissolving~~
17.19 ~~the city~~. Before the election, the ~~director~~ chief administrative law judge shall designate
17.20 a time and place for a hearing in accordance with section 414.09. After the hearing, the
17.21 ~~director~~ chief administrative law judge shall issue an order which shall include a date for
17.22 the election, a determination of what town or towns the territory of the city shall belong to
17.23 if the voters favor dissolution, and other necessary provisions. The ballots used at such
17.24 election shall bear the printed words, "For Dissolution" and "Against Dissolution," with a
17.25 square before each phrase in which the voter may express a preference by a cross. If a
17.26 majority of those voting on the question favor dissolution, the clerk shall file a certificate
17.27 of the result with the ~~director~~ chief administrative law judge, the secretary of state, and the
17.28 county auditor of the county in which the city is situated. Six months after the date of
17.29 such election, the city shall cease to exist. Within such six months, the council shall audit
17.30 all claims against the city, settle with the treasurer, and other city officers, and apply the
17.31 assets of the city to the payment of its debts. If any debts remain unpaid, other than bonds,
17.32 the city clerk shall file a schedule of such debts with the county treasurer and the council
17.33 shall levy a tax sufficient for their payment, the proceeds of which, when collected, shall
17.34 be paid by the county treasurer to the creditors in proportion to their several claims until

18.1 all are discharged. The principal and interest on outstanding bonds shall be paid when due
18.2 by the county treasurer from a tax annually spread by the county auditor against property
18.3 formerly included within the city until the bonds are fully paid. All city property and all
18.4 rights of the city shall, upon dissolution, inure in the town or towns designated as the legal
18.5 successor to the city. If the city territory goes to more than one town, surplus cash assets
18.6 and unsold city property shall be distributed as provided by the order for the election.

18.7 Sec. 9. Minnesota Statutes 2006, section 462.3535, subdivision 5, is amended to read:

18.8 Subd. 5. **Urban growth area boundary adjustment process.** (a) After an urban
18.9 growth area has been identified in a county or city plan, a city shall negotiate, as part of
18.10 the comprehensive planning process and in coordination with the county, an orderly
18.11 annexation agreement with the townships containing the affected unincorporated areas
18.12 located within the identified urban growth area. The agreement shall contain a boundary
18.13 adjustment staging plan that establishes a sequencing plan over the subsequent 20-year
18.14 period for the orderly growth of the city based on its reasonably anticipated development
18.15 pattern and ability to extend municipal services into designated unincorporated areas
18.16 located within the identified urban growth area. The city shall include the staging plan
18.17 agreed upon in the orderly annexation agreement in its comprehensive plan. Upon
18.18 agreement by the city and town, prior adopted orderly annexation agreements may be
18.19 included as part of the boundary adjustment plan and comprehensive plan without regard
18.20 to whether the prior adopted agreement is consistent with this section. When either the city
18.21 or town requests that an existing orderly annexation agreement affecting unincorporated
18.22 areas located within an identified or proposed urban growth area be renegotiated, the
18.23 renegotiated plan shall be consistent with this section.

18.24 (b) After a city's community-based comprehensive plan is approved under this
18.25 section, the orderly annexation agreement shall be filed with the ~~municipal board~~ chief
18.26 administrative law judge of the state Office of Administrative Hearings or ~~its~~ any
18.27 successor agency. Thereafter, the city may orderly annex the part or parts of the designated
18.28 unincorporated area according to the sequencing plan and conditions contained in the
18.29 negotiated orderly annexation agreement by submitting a resolution to the ~~municipal~~
18.30 ~~board or its successor agency~~ chief administrative law judge. The resolution shall specify
18.31 the legal description of the area designated pursuant to the staging plan contained in
18.32 the agreement, a map showing the new boundary and its relation to the existing city
18.33 boundary, a description of and schedule for extending municipal services to the area, and a
18.34 determination that all applicable conditions in the agreement have been satisfied. Within 30
18.35 days of receipt of the resolution, the ~~municipal board or its successor~~ chief administrative

19.1 law judge shall review the resolution and if it finds that the terms and conditions of the
19.2 orderly annexation agreement have been met, shall order the annexation. The boundary
19.3 adjustment shall become effective upon issuance of an order by the ~~municipal board or~~
19.4 ~~its successor~~ chief administrative law judge. The ~~municipal board or its successor~~ chief
19.5 administrative law judge shall cause copies of the boundary adjustment order to be mailed
19.6 to the secretary of state, Department of Revenue, state demographer, and Department of
19.7 Transportation. No further proceedings under chapter 414 or 572A shall be required to
19.8 accomplish the boundary adjustment. This section provides the sole method for annexing
19.9 unincorporated land within an urban growth area, unless the parties agree otherwise.

19.10 (c) If a community-based comprehensive plan is updated, the parties shall renegotiate
19.11 the orderly annexation agreement as needed to incorporate the adjustments and shall refile
19.12 the agreement with the ~~municipal board or its successor~~ chief administrative law judge.

19.13 Sec. 10. Minnesota Statutes 2006, section 473F.13, subdivision 1, is amended to read:

19.14 Subdivision 1. **Certification of change in status.** If a municipality is dissolved, is
19.15 consolidated with all or part of another municipality, annexes territory, has a portion of its
19.16 territory detached from it, or is newly incorporated, the secretary of state shall immediately
19.17 certify that fact to the commissioner of revenue. The secretary of state shall also certify to
19.18 the commissioner of revenue the current population of the new, enlarged, or successor
19.19 municipality, if determined by the ~~director of the Office of Strategic and Long-Range~~
19.20 ~~Planning~~ chief administrative law judge of the state Office of Administrative Hearings
19.21 incident to consolidation, annexation, or incorporation proceedings. The population so
19.22 certified shall govern for purposes of sections 473F.01 to 473F.13 until the Metropolitan
19.23 Council files its first population estimate as of a later date with the commissioner of
19.24 revenue. If an annexation of unincorporated land occurs without proceedings before
19.25 the ~~director~~ chief administrative law judge, the population of the annexing municipality
19.26 as previously determined shall continue to govern for purposes of sections 473F.01 to
19.27 473F.13 until the Metropolitan Council files its first population estimate as of a later
19.28 date with the commissioner of revenue.

19.29 Sec. 11. Minnesota Statutes 2006, section 473H.14, is amended to read:

19.30 **473H.14 ANNEXATION PROCEEDINGS.**

19.31 Agricultural preserve land within a township shall not be annexed to a municipality
19.32 pursuant to chapter 414, without a specific finding by the ~~director of the Office of~~
19.33 ~~Strategic and Long-Range Planning~~ chief administrative law judge of the state Office of
19.34 Administrative Hearings that either (a) the expiration period as provided for in section

20.1 473H.08 has begun; (b) the township due to size, tax base, population or other relevant
20.2 factors would not be able to provide normal governmental functions and services; or (c)
20.3 the agricultural preserve would be completely surrounded by lands within a municipality.

20.4 This section shall not apply to annexation agreements approved under proceedings
20.5 authorized by chapter 414 prior to creation of the preserve.

20.6 Sec. 12. Minnesota Statutes 2006, section 572A.01, subdivision 2, is amended to read:

20.7 Subd. 2. **Mediation.** Within ten days of receiving a request for mediation in
20.8 subdivision 1, the Bureau of Mediation Services shall provide written notice of the request
20.9 for mediation to the parties and provide a list of neutrals experienced in land use planning
20.10 or local government issues obtained from the Supreme Court, ~~Minnesota Municipal Board~~
20.11 chief administrative law judge of the state Office of Administrative Hearings, Bureau of
20.12 Mediation Services, Minnesota State Bar Association, Hennepin County Bar Association,
20.13 Office of Dispute Resolution, and others. Within 30 days thereafter, the affected parties
20.14 shall select a mediator from the list of neutrals or someone else acceptable to the parties
20.15 and submit to mediation for a period of 30 days facilitated by the bureau. If the dispute
20.16 remains unresolved after the close of the 30-day mediation period, the bureau shall
20.17 prepare a report of its recommendations and transmit the report within 30 days to the
20.18 parties. Within 60 days after the date of issuance of the mediator's report, the dispute shall
20.19 be submitted to binding arbitration as provided in this chapter. The mediator's report
20.20 submitted to the parties is informational only and is not admissible in arbitration.

20.21 Sec. 13. Minnesota Statutes 2006, section 572A.015, subdivision 2, is amended to read:

20.22 Subd. 2. **Mediation.** Within ten days of receiving a request for mediation that the
20.23 ~~director of the Office of Strategic and Long-Range Planning~~ chief administrative law
20.24 judge of the state Office of Administrative Hearings has required under section 414.12,
20.25 subdivision 1, the bureau shall provide written notice of the request for mediation to
20.26 the parties and provide a list of neutrals experienced in land use planning and local
20.27 government issues obtained from the Supreme Court, Bureau of Mediation Services,
20.28 Minnesota State Bar Association, Hennepin County Bar Association, Office of Dispute
20.29 Resolution, and others. Within 30 days thereafter, the affected parties, shall select a
20.30 mediator from the list of neutrals or someone else acceptable to the parties and submit
20.31 to mediation for a period of 30 days facilitated by the bureau. If the dispute remains
20.32 unresolved after the close of the 30-day mediation period, the bureau shall prepare a report
20.33 of its recommendations and transmit the report within 30 days to the parties. Within 60
20.34 days after the date of issuance of the mediator's report, the dispute shall be submitted to

21.1 binding arbitration as provided in this chapter. The mediator's report submitted to the
21.2 parties is informational only and is not admissible in arbitration.

21.3 Sec. 14. Minnesota Statutes 2006, section 572A.02, subdivision 6, is amended to read:

21.4 Subd. 6. **Decision.** The arbitrators, after a hearing on the matter, shall make a
21.5 decision regarding the dispute within 60 days and transmit an order to the parties and
21.6 to the Office of Strategic and Long-Range Planning in comprehensive planning disputes
21.7 or to the chief administrative law judge in chapter 414 disputes. Unless appealed by an
21.8 aggrieved party within 30 days of receipt of the arbitration panel's order by the office, the
21.9 office shall execute an order in accordance with the arbitration panel's order and shall
21.10 cause copies of the same to be mailed to all parties entitled to mailed notice, the secretary
21.11 of state, the Department of Revenue, the state demographer, individual property owners if
21.12 initiated in that manner, the affected county auditor, and any other party of record. The
21.13 affected county auditor shall record the order against the affected property.

21.14 Sec. 15. **REVISOR INSTRUCTION.**

21.15 The revisor of statutes shall change the word "director" or "director's" to "chief
21.16 administrative law judge" or "chief administrative law judge's," as appropriate, wherever
21.17 the words appear in the following sections of Minnesota Statutes: 414.01, subdivisions
21.18 1b, 5, 8, 10, 11, 12, 14, and 17; 414.012; 414.02, subdivisions 1, 2, and 3; 414.031,
21.19 subdivisions 1, 3, 4a, and 7; 414.0325, subdivisions 2, 3, 4, and 4a; 414.033, subdivisions
21.20 3, 5, 6, 7, and 10; 414.0335, subdivisions 1 and 2; 414.041, subdivisions 1, 2, 3, 4, 5,
21.21 6, and 7; 414.051; 414.06, subdivisions 1, 2, 3, and 5; 414.061, subdivisions 1, 2, 3a,
21.22 4, and 5; 414.063; 414.067, subdivision 3; 414.07, subdivision 2; 414.08; and 414.09,
21.23 subdivisions 1, 2, and 3.

21.24 Sec. 16. **EFFECTIVE DATE.**

21.25 This article is effective the day following final enactment.

APPENDIX
Article/Section location for H3357-1

ARTICLE 1 Page.Ln 1.16

MUNICIPAL BOUNDARIES ADJUSTMENTS

Section 1.	1.18	Sec. 6.	3.13	Sec. 11.	7.18	Sec. 16.	10.26	Sec. 21.	12.16
Sec. 2.	1.24	Sec. 7.	3.26	Sec. 12.	7.34	Sec. 17.	11.11	Sec. 22.	13.22
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Sec. 4.	2.22	Sec. 9.	4.9	Sec. 14.	10.1	Sec. 19.	12.4		
Sec. 5.	3.8	Sec. 10.	6.18	Sec. 15.	10.11	Sec. 20.	12.11		

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CONFORMING CHANGES

Section 1.	13.29	Sec. 5.	16.21	Sec. 9.	18.7	Sec. 13.	20.21
Sec. 2.	15.14	Sec. 6.	16.27	Sec. 10.	19.13	Sec. 14.	21.3
Sec. 3.	15.24	Sec. 7.	17.4	Sec. 11.	19.29	Sec. 15.	21.14
Sec. 4.	16.4	Sec. 8.	17.13	Sec. 12.	20.6	Sec. 16.	21.24