



February 15, 2023

Rep. Dave Lislegard (DFL) District: 07B  
451 State Office Building  
St. Paul, MN 55155

Re: Support for House File 1427 – Electric Generation Transition Aid

Chair Lislegard and Members of the House Property Tax Division

This letter is submitted to accompany the City’s verbal testimony in support of House File 1427, which would provide transition aid to communities like Cohasset as we face the retirement of Minnesota Power’s largest coal plant—the Boswell Energy Center. Boswell currently makes up 55 percent of the city’s tax capacity, but at its peak made up as much as 70 percent.

At its peak, Boswell was home to four coal units. The remaining two coal-fired units at the Boswell Plant will cease coal operations by 2029 and 2035 respectively, but the first two units—much smaller than the remaining two—were already retired in recent years. This letter is to provide additional context on the impacts we are already feeling as a result of the retirements of Boswell units 1 and 2.

We have done our best to weather the retirement of those first two units, but make no mistake: the retirement of those two units has had a major impact on our community, impacting our taxpayers and inhibiting our ability to invest in the coming transition from units 3 and 4.

For tax purposes, the impact of the retirement of units 1 and 2 on the City of Cohasset is reflected in the massive shift between tax payable years 2019 and 2020. The table below shows what happened to the City’s tax base due to the retirement of those first two units. Between 2019 and 2020, the city virtually froze its levy (increasing only \$232 in the scheme of a nearly \$3 million levy). This means that our city decided not to raise more money through property taxes than we had the year before, but still, Cohasset taxpayers felt the sting tax increases due to a large shift resulting directly from the removal of the tax capacity attributable to units 1 and 2. The table below shows a \$2,163,903 reduction in the City’s total tax capacity between these two years.

| <b>Year</b>                     | <b>2019</b>  | <b>2020</b> | <b>Change (2019 to 2020)</b> |
|---------------------------------|--------------|-------------|------------------------------|
| Cohasset levy                   | \$2,936,092  | \$2,936,324 | \$232                        |
| Total Tax Capacity <sup>1</sup> | \$11,267,612 | \$9,104,709 | <b>- \$2,162,903</b>         |
| Tax rate                        | 26.06%       | 32.25%      | Percentage increase = 23.75% |

<sup>1</sup> Total Tax Capacity is the share of local net tax capacity that can be taxed after subtracting captured tax increment, exempt power lines, fiscal disparity contribution net tax capacity.

What this means in real world terms is that Cohasset residents and businesses had to pay more in taxes than they did the previous year, but not because of anything that they or the city did. In the longer term, this makes our job in preparing for the eventual retirement of Units 3 and 4 far more difficult. It means that we have less ability to raise the vital resources we need to invest in our community and diversify our tax base.

To illustrate this, consider the following real-world example. The city is working incredibly hard to diversify our tax base, including through a major downtown riverfront redevelopment project. To make private investments like this a reality, the city needs to invest significant public dollars in infrastructure and other components of development, and the only tool cities possess to raise those dollars is the property tax.

Specifically, to support these investments, the city approved an increase in its levy for 2022 to \$3,867,687, up from closer to \$3 million where our levy had been steady for a few years prior. Because our total tax capacity still lags well behind our 2019 pre-1 and 2 retirement tax capacity, this increase brought the City's tax rate up to 37.49%. This is a dramatic increase, especially compared to 2019's 26.06% tax rate prior to the retirement of 1 and 2.

The transition away from the first two Boswell units pales in comparison to what our community—and communities like us—will face when the largest generation units in the state retire. Cohasset is a small community that already operates with a lean budget. We are working actively to overcome these challenges, but we cannot do so without help from the state.

We urge you to adopt House File 1427 this session.

Sincerely,

Max Peters  
Director of City Operations/Finance Director, City of Cohasset  
President, Coalition of Utility Cities