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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **2268**

March 20, 2007

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The bill was read for the first time and referred to the Committee on Taxes

A bill for an act

relating to public finance; providing terms and conditions related to the issuance of obligations and the financing of public improvements and services; extending the time for certain publications of notices; amending Minnesota Statutes 2006, sections 118A.03, subdivision 3; 123B.61; 204B.46; 331A.05, subdivision 2; 365A.02; 365A.04; 365A.08; 365A.095; 373.01, subdivision 3; 375B.09; 383B.117, subdivision 2; 410.32; 412.301; 428A.02, subdivision 1; 453A.02, subdivision 3; 473.39, by adding a subdivision; 475.58, subdivision 3b; proposing coding for new law in Minnesota Statutes, chapter 475.

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

Section 1. Minnesota Statutes 2006, section 118A.03, subdivision 3, is amended to read:

Subd. 3. **Amount.** The total amount of the collateral computed at its market value shall be at least ten percent more than the amount on deposit ~~plus accrued interest~~ at the close of the financial institution's banking day, except that where the collateral is irrevocable standby letters of credit issued by Federal Home Loan Banks, the amount of collateral shall be at least equal to the amount on deposit ~~plus accrued interest~~ at the close of the financial institution's banking day. The financial institution may furnish both a surety bond and collateral aggregating the required amount.

Sec. 2. Minnesota Statutes 2006, section 123B.61, is amended to read:

123B.61 PURCHASE OF CERTAIN EQUIPMENT.

The board of a district may issue general obligation certificates of indebtedness or capital notes subject to the district debt limits to: (a) purchase vehicles, computers, telephone systems, cable equipment, photocopy and office equipment, technological equipment for instruction, and other capital equipment having an expected useful life at least as long as the terms of the certificates or notes; (b) purchase computer hardware and

2.1 software, without regard to its expected useful life, whether bundled with machinery or
 2.2 equipment or unbundled, together with application development services and training
 2.3 related to the use of the computer; and (c) prepay special assessments. The certificates or
 2.4 notes must be payable in not more than ~~five~~ ten years and must be issued on the terms
 2.5 and in the manner determined by the board, except that certificates or notes issued to
 2.6 prepay special assessments must be payable in not more than 20 years. The certificates
 2.7 or notes may be issued by resolution and without the requirement for an election. The
 2.8 certificates or notes are general obligation bonds for purposes of section 126C.55. A tax
 2.9 levy must be made for the payment of the principal and interest on the certificates or
 2.10 notes, in accordance with section 475.61, as in the case of bonds. The sum of the tax
 2.11 levies under this section and section 123B.62 for each year must not exceed the lesser
 2.12 of the amount of the district's total operating capital revenue or the sum of the district's
 2.13 levy in the general and community service funds excluding the adjustments under this
 2.14 section for the year preceding the year the initial debt service levies are certified. The
 2.15 district's general fund levy for each year must be reduced by the sum of (1) the amount
 2.16 of the tax levies for debt service certified for each year for payment of the principal and
 2.17 interest on the certificates or notes issued under this section as required by section 475.61,
 2.18 (2) the amount of the tax levies for debt service certified for each year for payment of the
 2.19 principal and interest on bonds issued under section 123B.62, and (3) any excess amount
 2.20 in the debt redemption fund used to retire bonds, certificates, or notes issued under this
 2.21 section or section 123B.62 after April 1, 1997, other than amounts used to pay capitalized
 2.22 interest. If the district's general fund levy is less than the amount of the reduction, the
 2.23 balance shall be deducted first from the district's community service fund levy, and next
 2.24 from the district's general fund or community service fund levies for the following year. A
 2.25 district using an excess amount in the debt redemption fund to retire the certificates or
 2.26 notes shall report the amount used for this purpose to the commissioner by July 15 of the
 2.27 following fiscal year. A district having an outstanding capital loan under section 126C.69
 2.28 or an outstanding debt service loan under section 126C.68 must not use an excess amount
 2.29 in the debt redemption fund to retire the certificates or notes.

2.30 Sec. 3. Minnesota Statutes 2006, section 204B.46, is amended to read:

2.31 **204B.46 MAIL ELECTIONS; QUESTIONS.**

2.32 A county, municipality, or school district submitting questions to the voters at a
 2.33 special election may apply to the county auditor for approval of an election by mail with
 2.34 no polling place other than the office of the auditor or clerk. ~~No more than two questions~~
 2.35 ~~may be submitted at a mail election and no offices may be voted on at a mail election.~~

3.1 Notice of the election and the special mail procedure must be given at least six weeks prior
 3.2 to the election. No earlier than 20 or later than 14 days prior to the election, the auditor
 3.3 or clerk shall mail ballots by nonforwardable mail to all voters registered in the county,
 3.4 municipality, or school district. Eligible voters not registered at the time the ballots are
 3.5 mailed may apply for ballots pursuant to chapter 203B.

3.6 Sec. 4. Minnesota Statutes 2006, section 331A.05, subdivision 2, is amended to read:

3.7 Subd. 2. **Time of notice.** Unless otherwise specified by ~~a particular statute law~~, or
 3.8 by order of a court, publication of a public notice shall be as follows:

3.9 (a) the notice shall be published once;

3.10 (b) if the notice is intended to inform the public about a future event, the last
 3.11 publication shall occur not more than ~~14~~ 30 days and not less than seven days before
 3.12 the event;

3.13 (c) if the notice is intended to inform the public about a past action or event, the last
 3.14 publication shall occur not more than 45 days after occurrence of the action or event.

3.15 Sec. 5. Minnesota Statutes 2006, section 365A.02, is amended to read:

3.16 **365A.02 ~~DEFINITION~~ DEFINITIONS.**

3.17 Subdivision 1. Subordinate service district. "Subordinate service district" means a
 3.18 defined area within the town in which ~~one or more governmental services or additions to~~
 3.19 ~~townwide~~ special services are provided by the town specially for the area and financed
 3.20 ~~from revenues from the area.~~ The boundaries of a single subordinate service district
 3.21 may not embrace an entire town.

3.22 Subd. 2. Special services. "Special services" means one or more governmental
 3.23 services or additions to townwide services provided by the town specially for the area
 3.24 and financed from revenues from the area.

3.25 Sec. 6. Minnesota Statutes 2006, section 365A.04, is amended to read:

3.26 **365A.04 ~~CREATION BY PETITION.~~**

3.27 Subdivision 1. **Petition.** A petition signed by at least 50 percent of the property
 3.28 owners in the part of the town proposed for the subordinate service district may be
 3.29 submitted to the town board requesting the establishment of a subordinate service district
 3.30 to provide a service that the town is otherwise authorized by law to provide. The petition
 3.31 must include the territorial boundaries of the proposed district and specify the kinds of
 3.32 services to be provided within the district.

4.1 Subd. 1a. **Creation by town board.** The town board may establish a subordinate
 4.2 service district in a portion of the town by adoption of a resolution, subject to the
 4.3 requirements of subdivision 2.

4.4 Subd. 2. **Public hearing.** Upon receipt of the petition, and the verification of the
 4.5 signatures by the town clerk or prior to adoption of the resolution specified in subdivision
 4.6 1a, the town board shall, within 30 days following verification or prior to adoption of the
 4.7 resolution specified in subdivision 1a, hold a public hearing on the question of whether or
 4.8 not the requested district shall be established. The notice of public hearing must specify
 4.9 the special services to be provided within the subordinate service district and must specify
 4.10 the territorial boundaries of the requested district. The notice of public hearing must be
 4.11 published once in a newspaper of general circulation in the town at least 14 days prior
 4.12 to the date of the public hearing.

4.13 Subd. 3. **Approval; disapproval.** Within 30 days after the public hearing, the
 4.14 town board by resolution shall approve or disapprove the establishment of the requested
 4.15 district. An approving resolution must specify the special services to be provided within
 4.16 the subordinate service district and must specify the territorial boundaries of the district.
 4.17 A resolution approving the establishment of the district may contain amendments or
 4.18 modifications of the district's boundaries or functions as set forth in the petition or the
 4.19 resolution specified in subdivision 1a.

4.20 Sec. 7. Minnesota Statutes 2006, section 365A.08, is amended to read:

4.21 **365A.08 FINANCING.**

4.22 Subdivision 1. **Budget.** (a) Upon adoption of the next annual budget following
 4.23 the creation of a subordinate service district the town board shall include in the budget
 4.24 appropriate provisions for the operation of the district including either a property tax
 4.25 levied only on property ~~of the users of the service~~ within the boundaries of the district
 4.26 or a levy of a service charge against the users of the service within the district, or a
 4.27 combination of a property tax and a service charge on the users of the service.

4.28 (b) A tax or service charge or a combination of them may be imposed to finance a
 4.29 function or service in the district that the town ordinarily provides throughout the town
 4.30 only to the extent that there is an increase in the level of the function or service provided
 4.31 in the service district over that provided throughout the town. In that case, in addition
 4.32 to the townwide tax levy, an amount necessary to pay for the increase in the level of the
 4.33 function or service may be imposed in the district.

4.34 Subd. 2. **Bonds.** At any time after the requirements of section 356A.06 have been
 4.35 met and the subordinate service district created, the town board may issue obligations

5.1 in an amount it deems necessary to defray in whole or in part the expense incurred
 5.2 and estimated to be incurred in making capital improvements necessary to operate the
 5.3 subordinate service district and provide the special services in the district, including every
 5.4 item of cost from inception to completion and all fees and expenses incurred in connection
 5.5 with the capital improvements or the financing. The obligations are payable primarily
 5.6 out of the proceeds of the taxes and service charges imposed under subdivision 1, net
 5.7 revenues as described in section 444.075, and special assessments under chapter 429. The
 5.8 town board may by resolution pledge the full faith credit and taxing power of the town
 5.9 to ensure payment of the principal and interest on the obligations if the proceeds of the
 5.10 taxes and service charges are insufficient to pay the principal and interest. Obligations
 5.11 must be issued in accordance with chapter 475, except that an election is not required, and
 5.12 the amount of the obligations is not included in determining the net indebtedness of the
 5.13 town under the provisions of any law limiting indebtedness.

5.14 Subd. 3. **Covenants to secure obligations.** In resolutions authorizing the issuance
 5.15 of general or special obligations and pledging taxes and service charges imposed under
 5.16 subdivision 1, net revenues, or special assessments to their payment, the town board
 5.17 may make covenants for the protection of holders of the obligations and taxpayers of the
 5.18 town as it deems necessary, including a covenant that the town will impose and collect
 5.19 charges of the nature authorized by this chapter at the time and in the amounts required to
 5.20 produce, together with any taxes or special assessments designated as a primary source
 5.21 of payment of the obligations, funds adequate to pay all principal and interest when due
 5.22 on the obligations, and to create and maintain reserves securing the payments as may be
 5.23 provided in the resolutions.

5.24 Sec. 8. Minnesota Statutes 2006, section 365A.095, is amended to read:

5.25 **365A.095 PETITION FOR REMOVAL OF DISTRICT; PROCEDURE.**

5.26 Subdivision 1. **Petition.** A petition signed by at least 75 percent of the property
 5.27 owners in the territory of the subordinate service district requesting the removal of the
 5.28 district may be presented to the town board. Within 30 days after the town board receives
 5.29 the petition, the town clerk shall determine the validity of the signatures on the petition. If
 5.30 the requisite number of signatures are certified as valid, the town board must hold a public
 5.31 hearing on the petitioned matter. Within 30 days after the end of the hearing, the town
 5.32 board must decide whether to discontinue the subordinate service district, continue as it is,
 5.33 or take some other action with respect to it.

6.1 Subd. 2. **Bonds.** If obligations have been issued for the benefit of the subordinate
 6.2 service district, the rates, charges, and tax levies, if any, shall continue until the obligations
 6.3 and any obligations issued to refund them have been paid in full.

6.4 Sec. 9. Minnesota Statutes 2006, section 373.01, subdivision 3, is amended to read:

6.5 **Subd. 3. Capital notes.** (a) A county board may, by resolution and without
 6.6 referendum, issue capital notes subject to the county debt limit to purchase capital
 6.7 equipment useful for county purposes that has an expected useful life at least equal to the
 6.8 term of the notes. The notes shall be payable in not more than ten years and shall be
 6.9 issued on terms and in a manner the board determines. A tax levy shall be made for
 6.10 payment of the principal and interest on the notes, in accordance with section 475.61,
 6.11 as in the case of bonds.

6.12 (b) For purposes of this subdivision, "capital equipment" means:

6.13 (1) public safety, ambulance, road construction or maintenance, and medical
 6.14 equipment; and

6.15 (2) computer hardware and software, whether bundled with machinery or equipment
 6.16 or unbundled. ~~The authority to issue capital notes for software expires on July 1, 2007.~~

6.17 Sec. 10. Minnesota Statutes 2006, section 375B.09, is amended to read:

6.18 **375B.09 FINANCING.**

6.19 Subdivision 1. **Budget.** (a) Upon adoption of the next annual budget following the
 6.20 creation of a subordinate service district the county board shall include in the budget
 6.21 appropriate provisions for the operation of the district including, as appropriate, either a
 6.22 property tax levied only on property within the boundaries of the district or a levy of a
 6.23 service charge against the users of the service within the district, or any combination of a
 6.24 property tax and a service charge.

6.25 (b) A tax or service charge or a combination thereof shall not be imposed to finance a
 6.26 function or service in the subordinate service district which the county generally provides
 6.27 throughout the county unless an increase in the level of the service is to be supplied in the
 6.28 subordinate service district in which case, in addition to the countywide tax levy, only an
 6.29 amount necessary to pay for the increased level of service may be imposed.

6.30 Subd. 2. **Bonds.** At any time after the requirements of section 375B.07 have been
 6.31 met and the subordinate service district created, the county board may issue obligations
 6.32 in an amount it deems necessary to defray in whole or in part the expense incurred
 6.33 and estimated to be incurred in making capital improvements necessary to operate the
 6.34 subordinate service district and provide the special services in the district, including every

7.1 item of cost from inception to completion and all fees and expenses incurred in connection
 7.2 with the capital improvements or the financing. The obligations shall be payable primarily
 7.3 out of the proceeds of the taxes and service charges imposed pursuant to subdivision 1, net
 7.4 revenues as described in section 444.075, and special assessments under chapter 429. The
 7.5 county board may by resolution pledge the full faith credit and taxing power of the county
 7.6 to ensure payment of the principal and interest on the obligations if the proceeds of the
 7.7 taxes and service charges are insufficient to pay the principal and interest. Obligations
 7.8 must be issued in accordance with chapter 475, except that an election is not required, and
 7.9 the amount of the obligations is not included in determining the net indebtedness of the
 7.10 county under the provisions of any law limiting indebtedness.

7.11 Subd. 3. **Covenants to secure obligations.** In resolutions authorizing the issuance
 7.12 of general or special obligations and pledging taxes and service charges imposed under
 7.13 subdivision 1, net revenues, or special assessments to their payment, the county board
 7.14 may make covenants for the protection of holders of the obligations and taxpayers of the
 7.15 county as it deems necessary, including a covenant that the county will impose and collect
 7.16 charges of the nature authorized by this chapter at the time and in the amounts required to
 7.17 produce, together with any taxes or special assessments designated as a primary source
 7.18 of payment of the obligations, funds adequate to pay all principal and interest when due
 7.19 on the obligations and to create and maintain reserves securing the payments as may be
 7.20 provided in the resolutions.

7.21 Subd. 4. **Continuance in the event of withdrawal.** If obligations have been issued
 7.22 for the benefit of the subordinate service district, and the district is withdrawn or removed
 7.23 pursuant to either section 375B.10 or 375B.11, the rates, charges, and tax levies, if any, in
 7.24 the withdrawn or removed district must continue until the obligations and any obligations
 7.25 issued to refund them have been paid in full.

7.26 Sec. 11. Minnesota Statutes 2006, section 383B.117, subdivision 2, is amended to read:

7.27 Subd. 2. **Equipment acquisition; capital notes.** The board may, by resolution and
 7.28 without public referendum, issue capital notes within existing debt limits for the purpose
 7.29 of purchasing ambulance and other medical equipment, road construction or maintenance
 7.30 equipment, public safety equipment and other capital equipment having an expected
 7.31 useful life at least equal to the term of the notes issued. The notes shall be payable in
 7.32 not more than ~~five~~ ten years and shall be issued on terms and in a manner as the board
 7.33 determines. The total principal amount of the notes issued for any fiscal year shall not
 7.34 exceed one percent of the total annual budget for that year and shall be issued solely for
 7.35 the purchases authorized in this subdivision. A tax levy shall be made for the payment

8.1 of the principal and interest on such notes as in the case of bonds. For purposes of this
 8.2 subdivision, "equipment" includes computer hardware and software, whether bundled with
 8.3 machinery or equipment or unbundled. For purposes of this subdivision, the term "medical
 8.4 equipment" includes computer hardware and software and other intellectual property for
 8.5 use in medical diagnosis, medical procedures, research, record keeping, billing, and other
 8.6 hospital applications, together with application development services and training related
 8.7 to the use of the computer hardware and software and other intellectual property, all
 8.8 without regard to their useful life. For purposes of determining the amount of capital notes
 8.9 which the county may issue in any year, the budget of the county and Hennepin Healthcare
 8.10 System, Inc. shall be combined and the notes issuable under this subdivision shall be in
 8.11 addition to obligations issuable under section 373.01, subdivision 3.

8.12 Sec. 12. Minnesota Statutes 2006, section 410.32, is amended to read:

8.13 **410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.**

8.14 (a) Notwithstanding any contrary provision of other law or charter, a home rule
 8.15 charter city may, by resolution and without public referendum, issue capital notes subject
 8.16 to the city debt limit to purchase capital equipment.

8.17 (b) For purposes of this section, "capital equipment" means:

- 8.18 (1) public safety equipment, ambulance and other medical equipment, road
 8.19 construction and maintenance equipment, and other capital equipment; and
 8.20 (2) computer hardware and software, whether bundled with machinery or equipment
 8.21 or unbundled.

8.22 (c) The equipment or software must have an expected useful life at least as long as the
 8.23 term of the notes. ~~The authority to issue capital notes for software expires on July 1, 2007.~~

8.24 (d) The notes shall be payable in not more than ten years and be issued on terms and
 8.25 in the manner the city determines. The total principal amount of the capital notes issued
 8.26 in a fiscal year shall not exceed 0.03 percent of the market value of taxable property
 8.27 in the city for that year.

8.28 (e) A tax levy shall be made for the payment of the principal and interest on the
 8.29 notes, in accordance with section 475.61, as in the case of bonds.

8.30 (f) Notes issued under this section shall require an affirmative vote of two-thirds of
 8.31 the governing body of the city.

8.32 (g) Notwithstanding a contrary provision of other law or charter, a home rule charter
 8.33 city may also issue capital notes subject to its debt limit in the manner and subject to the
 8.34 limitations applicable to statutory cities pursuant to section 412.301.

9.1 Sec. 13. Minnesota Statutes 2006, section 412.301, is amended to read:

9.2 **412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.**

9.3 (a) The council may issue certificates of indebtedness or capital notes subject to the
9.4 city debt limits to purchase capital equipment.

9.5 (b) For purposes of this section, "capital equipment" means:

9.6 (1) public safety equipment, ambulance and other medical equipment, road
9.7 construction and maintenance equipment, and other capital equipment; and

9.8 (2) computer hardware and software, whether bundled with machinery or equipment
9.9 or unbundled.

9.10 (c) The equipment or software must have an expected useful life at least as long as
9.11 the terms of the certificates or notes. ~~The authority to issue capital notes for software~~
9.12 ~~expires on July 1, 2007.~~

9.13 (d) Such certificates or notes shall be payable in not more than ten years and shall be
9.14 issued on such terms and in such manner as the council may determine.

9.15 (e) If the amount of the certificates or notes to be issued to finance any such purchase
9.16 exceeds 0.25 percent of the market value of taxable property in the city, they shall not
9.17 be issued for at least ten days after publication in the official newspaper of a council
9.18 resolution determining to issue them; and if before the end of that time, a petition asking
9.19 for an election on the proposition signed by voters equal to ten percent of the number of
9.20 voters at the last regular municipal election is filed with the clerk, such certificates or notes
9.21 shall not be issued until the proposition of their issuance has been approved by a majority
9.22 of the votes cast on the question at a regular or special election.

9.23 (f) A tax levy shall be made for the payment of the principal and interest on such
9.24 certificates or notes, in accordance with section 475.61, as in the case of bonds.

9.25 Sec. 14. Minnesota Statutes 2006, section 428A.02, subdivision 1, is amended to read:

9.26 Subdivision 1. **Ordinance.** The governing body of a city may adopt an ordinance
9.27 establishing a special service district. Only property that is classified under section 273.13
9.28 and used for residential, commercial, industrial, or public utility purposes, or is vacant
9.29 land zoned or designated on a land use plan for commercial or industrial use and located
9.30 in the special service district, may be subject to the charges imposed by the city on the
9.31 special service district. Other types of property may be included within the boundaries of
9.32 the special service district but are not subject to the levies or charges imposed by the city
9.33 on the special service district. If 50 percent or more of the market value of a parcel of
9.34 property is classified under section 273.13 as residential, commercial, industrial, or vacant
9.35 land zoned or designated on a land use plan for commercial or industrial use, or public

10.1 utility for the current assessment year, then the entire market value of the property is
 10.2 subject to a service charge based on net tax capacity for purposes of sections 428A.01
 10.3 to 428A.10. The ordinance shall describe with particularity the area within the city to
 10.4 be included in the district and the special services to be furnished in the district. The
 10.5 ordinance may not be adopted until after a public hearing has been held on the question.
 10.6 Notice of the hearing shall include the time and place of hearing, a map showing the
 10.7 boundaries of the proposed district, and a statement that all persons owning property in the
 10.8 proposed district that would be subject to a service charge will be given opportunity to be
 10.9 heard at the hearing. Within 30 days after adoption of the ordinance under this subdivision,
 10.10 the governing body shall send a copy of the ordinance to the commissioner of revenue.

10.11 Sec. 15. Minnesota Statutes 2006, section 453A.02, subdivision 3, is amended to read:

10.12 Subd. 3. **City.** "City" means a city organized and existing under the laws of
 10.13 Minnesota or a city charter adopted pursuant thereto, and authorized by such laws or
 10.14 charter to engage in the local distribution and sale of gas, provided that any city so
 10.15 engaged on January 1, 1979 is authorized to continue such distribution and sale, and every
 10.16 city now or hereafter so authorized may exercise, either individually or as a member of a
 10.17 municipal gas agency, all of the powers granted in sections 453A.01 to 453A.12.

10.18 City also includes a city organized and existing under the laws of another state or
 10.19 a city charter adopted pursuant thereto which participates in a municipal gas agency
 10.20 with Minnesota cities.

10.21 Sec. 16. Minnesota Statutes 2006, section 473.39, is amended by adding a subdivision
 10.22 to read:

10.23 Subd. 5. **Anticipation of grants.** In addition to other authority granted in this
 10.24 section, the council may exercise the authority granted to an issuing political subdivision
 10.25 by section 475.522.

10.26 Sec. 17. **[475.522] GRANT ANTICIPATION FINANCING OF**
 10.27 **TRANSPORTATION OR TRANSIT PROJECTS.**

10.28 Subdivision 1. **Definitions.** For purposes of this section, the term "political
 10.29 subdivision" means a county or a statutory or home rule charter city, and the term
 10.30 "issuing political subdivision" means a political subdivision that issues obligations under
 10.31 subdivision 2.

10.32 Subd. 2. **Authorization.** An issuing political subdivision may enter into agreements
 10.33 with any other political subdivision of the state, within or without its jurisdiction, and any

11.1 state agency, with respect to federal grants for transportation or transit projects to be
 11.2 received directly or indirectly by or on behalf of the political subdivision or agency,
 11.3 under an executed grant agreement with the relevant federal agency. The agreements
 11.4 may provide that the political subdivision or agency will pledge to the issuing political
 11.5 subdivision all or a specified portion of the federal grants received by or on behalf of the
 11.6 political subdivision or agency for a specified period of years, or until all obligations issued
 11.7 by the issuing political subdivision under subdivision 3 with respect to those federal grants
 11.8 have been paid or legally defeased. If the issuing political subdivision issues obligations
 11.9 under subdivision 3, the agreements must provide the method by which the proceeds of
 11.10 the obligations will be used to pay or reimburse the costs of the transportation or transit
 11.11 projects relating to the federal grants described in the executed federal grant agreement.

11.12 Subd. 3. **Issuance of obligations.** In anticipation of any federal grants for
 11.13 transportation or transit projects to be received directly or indirectly by any political
 11.14 subdivision or agency as specified in subdivision 1, or by an issuing political subdivision
 11.15 with respect to any transportation or transit projects within its jurisdiction, an issuing
 11.16 political subdivision may issue its obligations payable from the collections of those
 11.17 federal grants. The obligations may be issued in the principal amount the issuing political
 11.18 subdivision determines provided that the estimated collections of the federal grants under
 11.19 the relevant executed federal grant agreement in each year in which the obligations will
 11.20 be outstanding must be at least equal to:

11.21 (1) if the obligations are to be issued as revenue obligations, 150 percent of the
 11.22 maximum annual debt service on the obligations; or

11.23 (2) if the obligations are to be issued as general obligations, 110 percent of the
 11.24 maximum annual debt service on the obligations.

11.25 Except as otherwise provided in this section, the issuing political subdivision shall
 11.26 provide for the issuance, sale, and security of the obligations as provided in chapter 475,
 11.27 and has the same powers and duties as a municipality issuing bonds under that law, except
 11.28 that no election is required and the net debt limitations in chapter 475 do not apply to the
 11.29 obligations. The issuing political subdivision may determine to issue the obligations as
 11.30 revenue obligations, payable solely from the collections of the federal grants anticipated,
 11.31 or may pledge its full faith and credit to the payment of the obligations.

11.32 Subd. 4. **Use of proceeds.** The proceeds of the obligations must be used:

11.33 (1) to pay or reimburse the costs of the transportation or transit projects relating to
 11.34 the federal grants being anticipated;

11.35 (2) to pay the costs of issuance of the obligations, including credit enhancement;

- 12.1 (3) to pay interest on the obligations for a period not exceeding three years from
 12.2 their date of issue; and
 12.3 (4) if the full faith and credit of the issuing political subdivision is not pledged to the
 12.4 payment of the obligations, to fund a debt service reserve fund for the obligations.

12.5 Sec. 18. Minnesota Statutes 2006, section 475.58, subdivision 3b, is amended to read:

12.6 Subd. 3b. **Street reconstruction.** (a) A municipality may, without regard to
 12.7 the election requirement under subdivision 1, issue and sell obligations for street
 12.8 reconstruction, if the following conditions are met:

12.9 (1) the streets are reconstructed under a street reconstruction plan that describes the
 12.10 ~~streets to be reconstructed~~ street reconstruction to be financed, the estimated costs, and
 12.11 any planned reconstruction of other streets in the municipality over the next five years,
 12.12 and the plan and issuance of the obligations has been approved by a vote of all of the
 12.13 members of the governing body present at the meeting following a public hearing for
 12.14 which notice has been published in the official newspaper at least ten days but not more
 12.15 than 28 days prior to the hearing; and

12.16 (2) if a petition requesting a vote on the issuance is signed by voters equal to
 12.17 five percent of the votes cast in the last municipal general election and is filed with the
 12.18 municipal clerk within 30 days of the public hearing, the municipality may issue the bonds
 12.19 only after obtaining the approval of a majority of the voters voting on the question of
 12.20 the issuance of the obligations.

12.21 (b) Obligations issued under this subdivision are subject to the debt limit of the
 12.22 municipality and are not excluded from net debt under section 475.51, subdivision 4.

12.23 (c) For purposes of this subdivision, street reconstruction includes utility
 12.24 replacement and relocation and other activities incidental to the street reconstruction, turn
 12.25 lanes and other improvements having a substantial public safety function, realignments,
 12.26 other modifications to intersect with state and county roads, and the local share of state
 12.27 and county road projects.

12.28 (d) Except in the case of turn lanes, safety improvements, realignments, intersection
 12.29 modifications, and the local share of state and county road projects, street reconstruction
 12.30 does not include the portion of project cost allocable to widening a street or adding curbs
 12.31 and gutters where none previously existed.