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246

HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE NO. 2268

March 20, 2007

Authored by Lenczewski and Simpson

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

May 9, 2007

Committee Recommendation and Adoption of Report:

To Pass as Amended and re-referred to the Committee on Ways and Means

May 10, 2007

Committee Recommendation and Adoption of Report:

To Pass

Read Second Time

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; authorizing and validating trusts to pay public postemployment benefits; amending Minnesota Statutes 2006, sections 118A.03, subdivision 3; 123B.61; 204B.46; 275.61, subdivision 1; 331A.05, subdivision 2; 365A.02; 365A.04; 365A.08; 365A.095; 373.01, subdivision 3; 373.40, subdivision 4; 375B.09; 383B.117, subdivision 2; 383B.77, subdivisions 1, 2; 410.32; 412.301; 428A.02, subdivision 1; 453A.02, subdivision 3; 473.39, by adding subdivisions; 475.52, subdivision 6; 475.53, subdivision 1; 475.58, subdivisions 1, 3b; proposing coding for new law in Minnesota Statutes, chapters 471; 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 software, without regard to its expected useful life, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer; and (c) prepay special assessments. The certificates or notes must be payable in not more than ~~five~~ ten years and must be issued on the terms and in the manner determined by the board, except that certificates or notes issued to prepay special assessments must be payable in not more than 20 years. The certificates or notes may be issued by resolution and without the requirement for an election. The certificates or notes are general obligation bonds for purposes of section 126C.55. A tax levy must be made for the payment of the principal and interest on the certificates or notes, in accordance with section 475.61, as in the case of bonds. The sum of the tax levies under this section and section 123B.62 for each year must not exceed the lesser of the amount of the district's total operating capital revenue or the sum of the district's levy in the general and community service funds excluding the adjustments under this section for the year preceding the year the initial debt service levies are certified. The district's general fund levy for each year must be reduced by the sum of (1) the amount of the tax levies for debt service certified for each year for payment of the principal and interest on the certificates or notes issued under this section as required by section 475.61, (2) the amount of the tax levies for debt service certified for each year for payment of the principal and interest on bonds issued under section 123B.62, and (3) any excess amount in the debt redemption fund used to retire bonds, certificates, or notes issued under this section or section 123B.62 after April 1, 1997, other than amounts used to pay capitalized interest. If the district's general fund levy is less than the amount of the reduction, the balance shall be deducted first from the district's community service fund levy, and next from the district's general fund or community service fund levies for the following year. A district using an excess amount in the debt redemption fund to retire the certificates or notes shall report the amount used for this purpose to the commissioner by July 15 of the following fiscal year. A district having an outstanding capital loan under section 126C.69 or an outstanding debt service loan under section 126C.68 must not use an excess amount in the debt redemption fund to retire the certificates or notes.

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

204B.46 MAIL ELECTIONS; QUESTIONS.

A county, municipality, or school district submitting questions to the voters at a special election may apply to the county auditor for approval of an election by mail with

3.1 no polling place other than the office of the auditor or clerk. No ~~more than two questions~~
3.2 ~~may be submitted at a mail election and no~~ offices may be voted on at a mail election.
3.3 Notice of the election and the special mail procedure must be given at least six weeks prior
3.4 to the election. No earlier than 20 or later than 14 days prior to the election, the auditor
3.5 or clerk shall mail ballots by nonforwardable mail to all voters registered in the county,
3.6 municipality, or school district. Eligible voters not registered at the time the ballots are
3.7 mailed may apply for ballots pursuant to chapter 203B.

3.8 Sec. 4. Minnesota Statutes 2006, section 275.61, subdivision 1, is amended to read:

3.9 Subdivision 1. **Market value.** (a) For local governmental subdivisions other than
3.10 school districts, any levy, ~~including the issuance of debt obligations payable in whole or in~~
3.11 ~~part from property taxes~~, required to be approved and approved by the voters at a general
3.12 or special election for taxes payable in 1993 and thereafter, shall be levied against the
3.13 referendum market value of all taxable property within the governmental subdivision, as
3.14 defined in section 126C.01, subdivision 3. Any levy amount subject to the requirements of
3.15 this section shall be certified separately to the county auditor under section 275.07.

3.16 (b) The ballot shall state the maximum amount of the increased levy as a percentage
3.17 of market value and the amount that will be raised by the new referendum tax rate in the
3.18 first year it is to be levied.

3.19 (c) This subdivision does not apply to tax levies for the payment of debt obligations
3.20 that are approved by the voters after June 30, 2007.

3.21 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.22 Sec. 5. Minnesota Statutes 2006, section 331A.05, subdivision 2, is amended to read:

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

3.25 (a) the notice shall be published once;

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

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

3.31 Sec. 6. Minnesota Statutes 2006, section 365A.02, is amended to read:

3.32 **365A.02 DEFINITION DEFINITIONS.**

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

4.6 Subd. 2. **Special services.** "Special services" means one or more governmental
4.7 services or additions to townwide services provided by the town specially for the area
4.8 and financed from revenues from the area.

4.9 Sec. 7. Minnesota Statutes 2006, section 365A.04, is amended to read:

4.10 **365A.04 CREATION BY PETITION.**

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

4.17 Subd. 1a. **Creation by town.** The town may establish a subordinate service district
4.18 in a portion of the town by adoption of a resolution, subject to the requirements of
4.19 subdivision 2.

4.20 Subd. 2. **Public hearing.** Upon receipt of the petition, and the verification of the
4.21 signatures by the town clerk or prior to adoption of the resolution specified in subdivision
4.22 1a, the town board shall, within 30 days following verification or prior to adoption of the
4.23 resolution specified in subdivision 1a, hold a public hearing on the question of whether or
4.24 not the requested district shall be established. The notice of public hearing must specify
4.25 the special services to be provided within the subordinate service district and must specify
4.26 the territorial boundaries of the requested district. The notice of public hearing must be
4.27 published once in a newspaper of general circulation in the town at least 14 days prior
4.28 to the date of the public hearing.

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

Sec. 8. Minnesota Statutes 2006, section 365A.08, is amended to read:

365A.08 FINANCING.

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

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

Subd. 2. **Bonds.** At any time after the requirements of section 356A.06 have been met and the subordinate service district created, the town board may issue obligations in an amount it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making capital improvements necessary to operate the subordinate service district and provide the special services in the district, including every item of cost from inception to completion and all fees and expenses incurred in connection with the capital improvements or the financing. The obligations are payable primarily out of the proceeds of the taxes and service charges imposed under subdivision 1, net revenues as described in section 444.075, and special assessments under chapter 429. The town board may by resolution pledge the full faith credit and taxing power of the town to ensure payment of the principal and interest on the obligations if the proceeds of the taxes and service charges are insufficient to pay the principal and interest. Obligations must be issued in accordance with chapter 475, except that the amount of the obligations is not included in determining the net indebtedness of the town under the provisions of any law limiting indebtedness.

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

6.1 on the obligations, and to create and maintain reserves securing the payments as may be
6.2 provided in the resolutions.

6.3 Sec. 9. Minnesota Statutes 2006, section 365A.095, is amended to read:

6.4 **365A.095 PETITION FOR REMOVAL OF DISTRICT; PROCEDURE.**

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

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

6.16 Sec. 10. Minnesota Statutes 2006, section 373.01, subdivision 3, is amended to read:

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

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

6.25 (1) public safety, ambulance, road construction or maintenance, and medical
6.26 equipment; and

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

6.29 Sec. 11. Minnesota Statutes 2006, section 373.40, subdivision 4, is amended to read:

6.30 Subd. 4. **Limitations on amount.** A county, ~~other than Ramsey,~~ may not issue
6.31 bonds under this section if the maximum amount of principal and interest to become due in
6.32 any year on all the outstanding bonds issued pursuant to this section (including the bonds
6.33 to be issued) will equal or exceed ~~0.05367~~ 0.12 percent of taxable market value of property

in the county. ~~Ramsey county may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued pursuant to this section (including the bonds to be issued) will equal or exceed 0.06455 percent of taxable market value of property in the county.~~ Calculation of the limit must be made using the taxable market value for the taxes payable year in which the obligations are issued and sold. This section does not limit the authority to issue bonds under any other special or general law.

EFFECTIVE DATE. This section is effective for bonds issued after June 30, 2007.

Sec. 12. Minnesota Statutes 2006, section 375B.09, is amended to read:

375B.09 FINANCING.

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

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

Subd. 2. Bonds. At any time after the requirements of section 375B.07 have been met and the subordinate service district created, the county board may issue obligations in an amount it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making capital improvements necessary to operate the subordinate service district and provide the special services in the district, including every item of cost from inception to completion and all fees and expenses incurred in connection with the capital improvements or the financing. The obligations shall be payable primarily out of the proceeds of the taxes and service charges imposed pursuant to subdivision 1, net revenues as described in section 444.075, and special assessments under chapter 429. The county board may by resolution pledge the full faith credit and taxing power of the county to ensure payment of the principal and interest on the obligations if the proceeds of the taxes and service charges are insufficient to pay the principal and interest. Obligations must be issued in accordance with chapter 475, except that the amount of the obligations

8.1 is not included in determining the net indebtedness of the county under the provisions of
8.2 any law limiting indebtedness.

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

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

8.18 Sec. 13. Minnesota Statutes 2006, section 383B.117, subdivision 2, is amended to read:

8.19 Subd. 2. **Equipment acquisition; capital notes.** The board may, by resolution and
8.20 without public referendum, issue capital notes within existing debt limits for the purpose
8.21 of purchasing ambulance and other medical equipment, road construction or maintenance
8.22 equipment, public safety equipment and other capital equipment having an expected
8.23 useful life at least equal to the term of the notes issued. The notes shall be payable in
8.24 not more than ~~five~~ ten years and shall be issued on terms and in a manner as the board
8.25 determines. The total principal amount of the notes issued for any fiscal year shall not
8.26 exceed one percent of the total annual budget for that year and shall be issued solely for
8.27 the purchases authorized in this subdivision. A tax levy shall be made for the payment
8.28 of the principal and interest on such notes as in the case of bonds. For purposes of this
8.29 subdivision, "equipment" includes computer hardware and software, whether bundled with
8.30 machinery or equipment or unbundled. For purposes of this subdivision, the term "medical
8.31 equipment" includes computer hardware and software and other intellectual property for
8.32 use in medical diagnosis, medical procedures, research, record keeping, billing, and other
8.33 hospital applications, together with application development services and training related
8.34 to the use of the computer hardware and software and other intellectual property, all
8.35 without regard to their useful life. For purposes of determining the amount of capital notes

9.1 which the county may issue in any year, the budget of the county and Hennepin Healthcare
9.2 System, Inc. shall be combined and the notes issuable under this subdivision shall be in
9.3 addition to obligations issuable under section 373.01, subdivision 3.

9.4 Sec. 14. Minnesota Statutes 2006, section 383B.77, subdivision 1, is amended to read:

9.5 Subdivision 1. **Creation.** The Hennepin County Housing and Redevelopment
9.6 Authority is created in the county of Hennepin. It shall have all of the powers and duties
9.7 of a housing and redevelopment authority under sections 469.001 to 469.047. For the
9.8 purposes of applying the municipal housing and redevelopment act to Hennepin County,
9.9 the county has all of the powers and duties of a city, the county board has all the powers
9.10 and duties of a governing body, the chair of the county board has all of the powers and
9.11 duties of a mayor, and, notwithstanding section 469.008, the area of operation includes the
9.12 area within the territorial boundaries of the county.

9.13 **EFFECTIVE DATE.** Because the population of Hennepin County is more than
9.14 1,000,000, under Minnesota Statutes, section 645.023, this section is effective without
9.15 local approval.

9.16 Sec. 15. Minnesota Statutes 2006, section 383B.77, subdivision 2, is amended to read:

9.17 Subd. 2. **Limitation.** This section does not limit or restrict any existing housing
9.18 and redevelopment authority or prevent a municipality from creating an authority. For
9.19 purposes of this subdivision, "housing and redevelopment authority" includes any
9.20 municipal department, agency, or authority of the city of Minneapolis which exercises the
9.21 powers of a housing and redevelopment authority pursuant to section 469.003 or other
9.22 law. The county authority shall notify a municipal authority by January 31 of each year
9.23 as to the activities the county authority plans to participate in within the municipality.
9.24 The municipal authority shall notify the county authority within 45 days of the date of
9.25 the notice from the county authority, if the municipal authority does not consent to the
9.26 activities of the county authority. ~~The county authority shall not exercise its powers in a~~
9.27 ~~municipality where a housing and redevelopment authority was created under Minnesota~~
9.28 ~~Statutes 1969, chapter 462, before June 8, 1971, except as provided in this subdivision.~~ If a
9.29 city housing and redevelopment authority requests the county housing and redevelopment
9.30 authority to exercise any power or perform any function of the municipal authority, the
9.31 county authority may do so.

10.1 **EFFECTIVE DATE.** Because the population of Hennepin County is more than
10.2 1,000,000, under Minnesota Statutes, section 645.023, this section is effective without
10.3 local approval.

10.4 Sec. 16. Minnesota Statutes 2006, section 410.32, is amended to read:

10.5 **410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.**

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

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

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

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

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

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

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

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

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

10.27 Sec. 17. Minnesota Statutes 2006, section 412.301, is amended to read:

10.28 **412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.**

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

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

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

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

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

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

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

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

11.18 Sec. 18. Minnesota Statutes 2006, section 428A.02, subdivision 1, is amended to read:

11.19 Subdivision 1. **Ordinance.** The governing body of a city may adopt an ordinance
11.20 establishing a special service district. Only property that is classified under section 273.13
11.21 and used for residential, commercial, industrial, or public utility purposes, or is vacant
11.22 land zoned or designated on a land use plan for commercial or industrial use and located
11.23 in the special service district, may be subject to the charges imposed by the city on the
11.24 special service district. Other types of property may be included within the boundaries of
11.25 the special service district but are not subject to the levies or charges imposed by the city
11.26 on the special service district. If 50 percent or more of the market value of a parcel of
11.27 property is classified under section 273.13 as residential, commercial, industrial, or vacant
11.28 land zoned or designated on a land use plan for commercial or industrial use, or public
11.29 utility for the current assessment year, then the entire market value of the property is
11.30 subject to a service charge based on net tax capacity for purposes of sections 428A.01
11.31 to 428A.10. The ordinance shall describe with particularity the area within the city to
11.32 be included in the district and the special services to be furnished in the district. The
11.33 ordinance may not be adopted until after a public hearing has been held on the question.
11.34 Notice of the hearing shall include the time and place of hearing, a map showing the
11.35 boundaries of the proposed district, and a statement that all persons owning property in the

12.1 proposed district that would be subject to a service charge will be given opportunity to be
12.2 heard at the hearing. Within 30 days after adoption of the ordinance under this subdivision,
12.3 the governing body shall send a copy of the ordinance to the commissioner of revenue.

12.4 Sec. 19. Minnesota Statutes 2006, section 453A.02, subdivision 3, is amended to read:

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

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

12.14 Sec. 20. **[471.6175] TRUST FOR POSTEMPLOYMENT BENEFITS.**

12.15 Subdivision 1. **Authorization; establishment.** A political subdivision or other
12.16 public entity that creates or has created an actuarial liability to pay postemployment
12.17 benefits to employees or officers after their termination of service may establish a trust to
12.18 pay those benefits. For purposes of this section, the term "postemployment benefits" means
12.19 benefits giving rise to a liability under Statement No. 45 of the Governmental Accounting
12.20 Standards Board and the term "trust" means a trust, a trust account, or a custodial account
12.21 or contract authorized under section 401(f) of the Internal Revenue Code.

12.22 Subd. 2. **Purpose of trust.** The trust established under this section may only be
12.23 used to pay postemployment benefits and may be either revocable or irrevocable.

12.24 Subd. 3. **Trust administrator.** The trust administrator of a trust established under
12.25 this section shall be either:

12.26 (1) the Public Employees Retirement Association;

12.27 (2) a bank or banking association incorporated under the laws of the United States or
12.28 of any state and authorized by the laws under which it is organized to exercise corporate
12.29 trust powers; or

12.30 (3) an insurance company or agency qualified to do business in Minnesota which has
12.31 at least five years' experience in investment products and services for group retirement
12.32 benefits and which has a specialized department dedicated to services for retirement
12.33 investment products.

13.1 A political subdivision or public entity may, in its discretion and in compliance
13.2 with any applicable trust document, change trust administrators and transfer trust assets
13.3 accordingly.

13.4 Subd. 4. **Account maintenance.** (a) A political subdivision or other public entity
13.5 may establish a trust account to be held under the supervision of the trust administrator for
13.6 the purposes of this section. A trust administrator shall establish a separate account for
13.7 each participating political subdivision or public entity. The trust administrator may charge
13.8 participating political subdivisions and public entities fees for reasonable administrative
13.9 costs. The amount of any fees charged by the Public Employees Retirement Association is
13.10 appropriated to the association from the account. A trust administrator may establish other
13.11 reasonable terms and conditions for creation and maintenance of these accounts.

13.12 (b) The trust administrator must report to the political subdivision or other public
13.13 entity on the investment returns of invested trust assets and on all investment fees or costs
13.14 incurred by the trust. The annual rates of return, along with investment and administrative
13.15 fees and costs for the trust, must be disclosed in the political subdivision's or public entity's
13.16 annual financial audit in a manner prescribed by the state auditor.

13.17 (c) Effective for fiscal years beginning after December 31, 2010, the trust
13.18 administrator must report electronically to the state auditor the portfolio and performance
13.19 information specified in section 356.219, subdivision 3, in the manner prescribed by
13.20 the state auditor.

13.21 Subd. 5. **Investment.** (a) The assets of a trust or trust account shall be invested and
13.22 held as stipulated in paragraphs (b) to (e).

13.23 (b) The Public Employees Retirement Association must certify all money in the trust
13.24 accounts for which it is trust administrator to the State Board of Investment for investment
13.25 under section 11A.14, subject to the policies and procedures established by the State
13.26 Board of Investment. Investment earnings must be credited to the trust account of the
13.27 individual political subdivision or public entity.

13.28 (c) A trust administrator, other than the Public Employees Retirement Association,
13.29 must ensure that all money in the trust accounts for which it is trust administrator is
13.30 invested by a registered investment adviser, a bank investment trust department, or an
13.31 insurance company or agency retirement investment department. Investment earnings
13.32 must be credited to the trust account of the individual political subdivision or public entity.

13.33 (d) For trust assets invested by the State Board of Investment, the investment
13.34 restrictions shall be the same as those generally applicable to the State Board of
13.35 Investment. For trust assets invested by a trust administrator other than the Public
13.36 Employees Retirement Association, the assets may only be invested in investments

14.1 authorized under chapter 118A or section 356A.06, subdivision 7, in the manner specified
14.2 in the applicable trust document.

14.3 (e) A political subdivision or public entity may provide investment direction to a
14.4 trust administrator in compliance with any applicable trust document.

14.5 Subd. 6. **Limit on deposit.** A political subdivision or public entity may not
14.6 deposit money in a trust or trust account created pursuant to this section if the total
14.7 amount invested by that political subdivision or public entity would exceed the political
14.8 subdivision's or public entity's actuarially determined liabilities for postemployment
14.9 benefits due to officers and employees, as determined under the applicable standards of the
14.10 Governmental Accounting Standards Board.

14.11 Subd. 7. **Withdrawal of funds and termination of account.** (a) For a revocable
14.12 account, a political subdivision or public entity may withdraw some or all of its money
14.13 or terminate the trust account. Money and accrued investment earnings withdrawn
14.14 from a revocable account must be deposited in a fund separate and distinct from any
14.15 other funds of the political subdivision or public entity. This money, with accrued
14.16 investment earnings, must be used to pay legally enforceable postemployment benefits
14.17 to former officers and employees, unless (i) there has been a change in state or federal
14.18 law affecting that political subdivision's or public entity's liabilities for postemployment
14.19 benefits, or (ii) there has been a change in the demographic composition of that political
14.20 subdivision's or public entity's employees eligible for postemployment benefits, or (iii)
14.21 there has been a change in the provisions or terms of the postemployment benefits in that
14.22 political subdivision or public entity including, but not limited to, the portion of the costs
14.23 eligible employees must pay to receive the benefits, or (iv) other factors exist that have
14.24 a material effect on that political subdivision's or public entity's actuarially determined
14.25 liabilities for postemployment benefits, in which event any amount in excess of 100
14.26 percent of that political subdivision's or public entity's actuarially determined liabilities for
14.27 postemployment benefits, as determined under standards of the Government Accounting
14.28 Standards Board, may be withdrawn and used for any purpose.

14.29 (b) For an irrevocable account, a political subdivision or public entity may withdraw
14.30 money only:

14.31 (1) as needed to pay postemployment benefits owed to former officers and employees
14.32 of the political subdivision or public entity; or

14.33 (2) when all postemployment benefit liability owed to former officers or employees
14.34 of the political subdivision or public entity has been satisfied or otherwise defeased.

14.35 (c) A political subdivision or public entity requesting withdrawal of money from
14.36 an account created under this section must do so at a time and in the manner required by

15.1 the executive director of the Public Employees Retirement Association or specified in an
15.2 applicable trust document. The political subdivision or public entity that created the trust
15.3 must ensure that withdrawals comply with the requirements of this section.

15.4 (d) The legislature may not divert funds in these trusts or trust accounts for use
15.5 for another purpose.

15.6 Subd. 8. **Status of irrevocable trust.** (a) All money in an irrevocable trust or trust
15.7 account created in this section is held in trust for the exclusive benefit of former officers
15.8 and employees of the participating political subdivision or public entity, and is not subject
15.9 to claims by creditors of the state, the participating political subdivision or public entity,
15.10 the current or former officers and employees of the political subdivision or public entity,
15.11 or the trust administrator.

15.12 (b) An irrevocable trust fund or trust account created in this section shall be deemed
15.13 an arrangement equivalent to a trust for all legal purposes.

15.14 **EFFECTIVE DATE.** This section is effective the day following final enactment,
15.15 and is applicable immediately to all political subdivisions or public entities subject to
15.16 Statement No. 45 of the Governmental Accounting Standards Board in 2007, to those
15.17 political subdivisions or public entities whose trusts or trust accounts are validated
15.18 by section 28, and to those political subdivisions or public entities that have begun
15.19 consideration of measures to implement Statement No. 45 in 2007. This section is
15.20 applicable on July 1, 2008, for all other political subdivisions or public entities.

15.21 Sec. 21. Minnesota Statutes 2006, section 473.39, is amended by adding a subdivision
15.22 to read:

15.23 Subd. 1m. **Obligations.** After July 1, 2007, in addition to other authority in this
15.24 section, the council may issue certificates of indebtedness, bonds, or other obligations
15.25 under this section in an amount not exceeding \$33,600,000 for capital expenditures as
15.26 prescribed in the council's regional transit master plan and transit capital improvement
15.27 program and for related costs, including the costs of issuance and sale of the obligations.

15.28 **APPLICATION AND EFFECTIVE DATE.** This section applies in the counties of
15.29 Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington, and is effective the
15.30 day following final enactment.

15.31 Sec. 22. Minnesota Statutes 2006, section 473.39, is amended by adding a subdivision
15.32 to read:

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

16.4 Sec. 23. Minnesota Statutes 2006, section 475.52, subdivision 6, is amended to read:

16.5 Subd. 6. **Certain purposes.** Any municipality may issue bonds for paying
16.6 judgments against it; for refunding outstanding bonds; for funding floating indebtedness;
16.7 for funding actuarial liabilities to pay postemployment benefits to employees or officers
16.8 after their termination of service; or for funding all or part of the municipality's current
16.9 and future unfunded liability for a pension or retirement fund or plan referred to in
16.10 section 356.20, subdivision 2, as those liabilities are most recently computed pursuant
16.11 to sections 356.215 and 356.216. The board of trustees or directors of a pension fund or
16.12 relief association referred to in section 69.77 or chapter 422A must consent and must
16.13 be a party to any contract made under this section with respect to the fund held by it
16.14 for the benefit of and in trust for its members. For purposes of this section, the term
16.15 "postemployment benefits" means benefits giving rise to a liability under Statement No.
16.16 45 of the Governmental Accounting Standards Board.

16.17 Sec. 24. **[475.522] GRANT ANTICIPATION FINANCING OF**
16.18 **TRANSPORTATION OR TRANSIT PROJECTS.**

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

16.23 Subd. 2. **Authorization.** An issuing political subdivision may enter into agreements
16.24 with any other political subdivision of the state, within or without its jurisdiction, and any
16.25 state agency, with respect to federal grants for transportation or transit projects to be
16.26 received directly or indirectly by or on behalf of the political subdivision or agency,
16.27 under an executed grant agreement with the relevant federal agency. The agreements
16.28 may provide that the political subdivision or agency will pledge to the issuing political
16.29 subdivision all or a specified portion of the federal grants received by or on behalf of the
16.30 political subdivision or agency for a specified period of years, or until all obligations issued
16.31 by the issuing political subdivision under subdivision 3 with respect to those federal grants
16.32 have been paid or legally defeased. If the issuing political subdivision issues obligations
16.33 under subdivision 3, the agreements must provide the method by which the proceeds of

17.1 the obligations will be used to pay or reimburse the costs of the transportation or transit
17.2 projects relating to the federal grants described in the executed federal grant agreement.

17.3 Subd. 3. **Issuance of obligations.** In anticipation of any federal grants for
17.4 transportation or transit projects to be received directly or indirectly by any political
17.5 subdivision or agency as specified in subdivision 1, or by an issuing political subdivision
17.6 with respect to any transportation or transit projects within its jurisdiction, an issuing
17.7 political subdivision may issue its obligations payable from the collections of those
17.8 federal grants. The obligations may be issued in the principal amount the issuing political
17.9 subdivision determines provided that the estimated collections of the federal grants under
17.10 the relevant executed federal grant agreement in each year in which the obligations will
17.11 be outstanding must be at least equal to:

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

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

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

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

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

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

17.27 (3) to pay interest on the obligations for a period not exceeding three years from
17.28 their date of issue; and

17.29 (4) if the full faith and credit of the issuing political subdivision is not pledged to the
17.30 payment of the obligations, to fund a debt service reserve fund for the obligations.

17.31 Sec. 25. Minnesota Statutes 2006, section 475.53, subdivision 1, is amended to read:

17.32 Subdivision 1. **Generally.** Except as otherwise provided in sections 475.51 to
17.33 475.74, no municipality, except a school district or a city of the first class, shall incur or
17.34 be subject to a net debt in excess of ~~two~~ three percent of the market value of taxable
17.35 property in the municipality.

18.1 **EFFECTIVE DATE.** This section is effective for obligations issued after June
18.2 30, 2007.

18.3 Sec. 26. Minnesota Statutes 2006, section 475.58, subdivision 1, is amended to read:

18.4 Subdivision 1. **Approval by electors; exceptions.** Obligations authorized by law or
18.5 charter may be issued by any municipality upon obtaining the approval of a majority of
18.6 the electors voting on the question of issuing the obligations, but an election shall not be
18.7 required to authorize obligations issued:

18.8 (1) to pay any unpaid judgment against the municipality;

18.9 (2) for refunding obligations;

18.10 (3) for an improvement or improvement program, which obligation is payable wholly
18.11 or partly from the proceeds of special assessments levied upon property specially benefited
18.12 by the improvement or by an improvement within the improvement program, or from tax
18.13 increments, as defined in section 469.174, subdivision 25, including obligations which are
18.14 the general obligations of the municipality, if the municipality is entitled to reimbursement
18.15 in whole or in part from the proceeds of such special assessments or tax increments and
18.16 not less than 20 percent of the cost of the improvement or the improvement program is to
18.17 be assessed against benefited property or is to be paid from the proceeds of federal grant
18.18 funds or a combination thereof, or is estimated to be received from tax increments;

18.19 (4) payable wholly from the income of revenue producing conveniences;

18.20 (5) under the provisions of a home rule charter which permits the issuance of
18.21 obligations of the municipality without election;

18.22 (6) under the provisions of a law which permits the issuance of obligations of a
18.23 municipality without an election;

18.24 (7) to fund pension or retirement fund or postemployment benefit liabilities pursuant
18.25 to section 475.52, subdivision 6;

18.26 (8) under a capital improvement plan under section 373.40; and

18.27 (9) under sections 469.1813 to 469.1815 (property tax abatement authority bonds), if
18.28 the proceeds of the bonds are not used for a purpose prohibited under section 469.176,
18.29 subdivision 4g, paragraph (b).

18.30 Sec. 27. Minnesota Statutes 2006, section 475.58, subdivision 3b, is amended to read:

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

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

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

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

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

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

Sec. 28. **VALIDATION.**

Any trust or trust account or other custodial account or contract authorized under section 401(f) of the Internal Revenue Code, created prior to June 6, 2006, to pay postemployment benefits to employees or officers after termination of service, is hereby validated, may continue in full force and effect, and shall have continuing authority to accept new funds; however, this section does not validate or correct defects in any previously created trust document. Any funds held by a validated trust or account under this section may be invested as provided in section 20, subdivision 5. A validated trust or account shall have until January 1, 2008, to bring its trust documents and procedures into compliance with section 20.

EFFECTIVE DATE. This section is effective the day following final enactment.

20.1 Sec. 29. **TOWN OF CRANE LAKE, CERTIFICATES OF INDEBTEDNESS.**

20.2 Notwithstanding Minnesota Statutes, section 366.095, or any other law to the
20.3 contrary, the town board of the town of Crane Lake in St. Louis County may issue one
20.4 or more certificates of indebtedness in a total amount not to exceed \$225,000, which
20.5 are not subject to the debt limits of the town. The proceeds of the certificates must be
20.6 used to acquire property and pay other costs related to a land exchange with the United
20.7 States Forest Service. The certificates shall be payable in not more than 30 years and be
20.8 issued on the terms and in the manner as the board may determine. Minnesota Statutes,
20.9 sections 475.54, subdivision 1, and 475.56, paragraph (c), do not apply to the certificates
20.10 issued under this section. A tax levy shall be made to pay the principal and interest on the
20.11 certificates as in the case of bonds.

20.12 **EFFECTIVE DATE.** This section is effective the day after the governing body of
20.13 the town of Crane Lake and its chief clerical officer timely complete their compliance with
20.14 Minnesota Statutes, section 645.021, subdivisions 2 and 3.

20.15 Sec. 30. **CITY OF WINSTED; BONDING AUTHORITY.**

20.16 (a) The city of Winsted may issue general obligation bonds under Minnesota
20.17 Statutes, chapter 475, to finance the acquisition and betterment of a facility consisting of
20.18 a city hall, community center, and police station; park improvements, including trails
20.19 and an amphitheater; related public improvements; and substantial landscaping for the
20.20 improvements.

20.21 (b) The bonds may be issued as general obligations of the city without an election to
20.22 approve the bonds under Minnesota Statutes, section 475.58.

20.23 (c) The bonds are not included in computing any debt limitation applicable to the
20.24 city, including, but not limited to, the net debt limits under Minnesota Statutes, section
20.25 475.53, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of
20.26 and interest on the bonds is not subject to any levy limitation.

20.27 (d) The aggregate principal amount of bonds used to pay costs of the acquisition and
20.28 betterment of the facility consisting of a city hall, community center, and police station;
20.29 park improvements, including trails and an amphitheater; related public improvements;
20.30 and substantial landscaping for the improvements may not exceed \$4,900,000, plus an
20.31 amount equal to the costs related to issuance of the bonds and capitalized interest.

20.32 **EFFECTIVE DATE.** This section is effective upon compliance by the governing
20.33 body of the city of Winsted with Minnesota Statutes, section 645.021, subdivision 3.