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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. **500**

01/28/2021 Authored by Marquart
The bill was read for the first time and referred to the Committee on Taxes
04/13/2021 Adoption of Report: Amended and re-referred to the Committee on Ways and Means

1.1 A bill for an act
1.2 relating to public finance; modifying local government debt financing; amending
1.3 Minnesota Statutes 2020, sections 297A.993, subdivision 2; 453A.04, subdivision
1.4 21, by adding a subdivision; 465.71; 475.56; 475.58, subdivision 3b; 475.60,
1.5 subdivision 1; 475.67, subdivision 8; repealing Minnesota Statutes 2020, section
1.6 469.055, subdivision 7.

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

1.8 Section 1. Minnesota Statutes 2020, section 297A.993, subdivision 2, is amended to read:

1.9 Subd. 2. **Allocation; termination.** The proceeds of the taxes must be dedicated
1.10 exclusively to: (1) payment of the capital cost of a specific transportation project or
1.11 improvement; (2) payment of the costs, which may include both capital and operating costs,
1.12 of a specific transit project or improvement; (3) payment of the capital costs of a safe routes
1.13 to school program under section 174.40; ~~or~~ (4) payment of transit operating costs; or (5)
1.14 payment of the capital cost of constructing buildings and other facilities for maintaining
1.15 transportation or transit projects or improvements. The transportation or transit project or
1.16 improvement must be designated by the board of the county, or more than one county acting
1.17 under a joint powers agreement. Except for taxes for operating costs of a transit project or
1.18 improvement, or for transit operations, the taxes must terminate when revenues raised are
1.19 sufficient to finance the project. Nothing in this subdivision prohibits the exclusive dedication
1.20 of the proceeds of the taxes to payments for more than one project or improvement. After
1.21 a public hearing a county may, by resolution, dedicate the proceeds of the tax for a new
1.22 enumerated project.

2.1 Sec. 2. Minnesota Statutes 2020, section 453A.04, subdivision 21, is amended to read:

2.2 Subd. 21. ~~All other powers~~ Exercising powers of a municipal power agency. ~~It may~~
2.3 ~~exercise all other powers not inconsistent with the Constitution of the state of Minnesota~~
2.4 ~~or the United States Constitution, which powers may be reasonably necessary or appropriate~~
2.5 ~~for or incidental to the effectuation of its authorized purposes or to the exercise of any of~~
2.6 ~~the powers enumerated in this section, and generally may exercise in connection with its~~
2.7 ~~property and affairs, and in connection with property within its control, any and all powers~~
2.8 ~~which might be exercised by a natural person or a private corporation in connection with~~
2.9 ~~similar property and affairs.~~ It may exercise the powers of a municipal power agency under
2.10 chapter 453 for the limited purpose of engaging in tax-exempt prepayments and related
2.11 transactions as described in section 148(b)(4) of the Internal Revenue Code of 1986, as
2.12 amended, and the Code of Federal Regulations, title 26, part 1, section 1.148-1(e)(2)(iii),
2.13 both as may be amended from time to time, or as may otherwise be authorized by statute
2.14 or the Commissioner of Internal Revenue.

2.15 Sec. 3. Minnesota Statutes 2020, section 453A.04, is amended by adding a subdivision to
2.16 read:

2.17 Subd. 22. All other powers. It may exercise all other powers not inconsistent with the
2.18 Constitution of the state of Minnesota or the United States Constitution, which powers may
2.19 be reasonably necessary or appropriate for or incidental to the effectuation of its authorized
2.20 purposes or to the exercise of any of the powers enumerated in this section, and generally
2.21 may exercise in connection with its property and affairs, and in connection with property
2.22 within its control, any and all powers which might be exercised by a natural person or a
2.23 private corporation in connection with similar property and affairs.

2.24 Sec. 4. Minnesota Statutes 2020, section 465.71, is amended to read:

2.25 **465.71 INSTALLMENT, LEASE PURCHASE; CITY, COUNTY, TOWN,**
2.26 **SCHOOL.**

2.27 A home rule charter city, statutory city, county, town, or school district may purchase
2.28 personal property under an installment contract, or lease real or personal property with an
2.29 option to purchase under a lease-purchase agreement, by which contract or agreement title
2.30 is retained by the seller or vendor or assigned to a third party as security for the purchase
2.31 price, including interest, if any, but such purchases are subject to statutory and charter
2.32 provisions applicable to the purchase of real or personal property. For purposes of the bid
2.33 requirements contained in section 471.345, "the amount of the contract" shall include the

3.1 total of all lease payments for the entire term of the lease under a lease-purchase agreement.
3.2 The obligation created by an installment contract or a lease-purchase agreement for personal
3.3 property, or an installment contract or a lease-purchase agreement for real property if the
3.4 amount of the contract for purchase of the real property is less than \$1,000,000, shall not
3.5 be included in the calculation of net debt for purposes of section 475.53, and shall not
3.6 constitute debt under any other statutory provision. No election shall be required in
3.7 connection with the execution of an installment contract or a lease-purchase agreement
3.8 authorized by this section. The city, county, town, or school district must have the right to
3.9 terminate a lease-purchase agreement at the end of any fiscal year during its term.

3.10 Sec. 5. Minnesota Statutes 2020, section 475.56, is amended to read:

3.11 **475.56 INTEREST RATE.**

3.12 (a) Any municipality issuing obligations under any law may issue obligations bearing
3.13 interest at a single rate or at rates varying from year to year which may be lower or higher
3.14 in later years than in earlier years. ~~Such higher rate for any period prior to maturity may be~~
3.15 ~~represented in part by separate coupons designated as additional coupons, extra coupons,~~
3.16 ~~or B-coupons, but the~~ The highest aggregate rate of interest contracted to be so paid for any
3.17 period shall not exceed the maximum rate authorized by law. Such higher rate may also be
3.18 represented in part by the issuance of additional obligations of the same series, over and
3.19 above but not exceeding two percent of the amount otherwise authorized to be issued, and
3.20 the amount of such additional obligations shall not be included in the amount required by
3.21 section 475.59 to be stated in any bond resolution, notice, or ballot, or in the sale price
3.22 required by section 475.60 or any other law to be paid; but if the principal amount of the
3.23 entire series exceeds its cash sale price, such excess shall not, when added to the total amount
3.24 of interest payable on all obligations of the series to their stated maturity dates, cause and
3.25 the average annual rate of such interest to ~~to~~ may not exceed the maximum rate authorized by
3.26 law. This section does not authorize a provision in any such obligations for the payment of
3.27 a higher rate of interest after maturity than before.

3.28 (b) Any municipality issuing obligations under any law may sell original issue discount
3.29 or premium obligations having a stated principal amount in excess of the authorized amount
3.30 and the sale price, provided that: To determine the average annual rate of interest on the
3.31 obligations, any discount shall be added to, and any premium subtracted from, the total
3.32 amount of interest on the obligations to their stated maturity dates.

3.33 ~~(1) the sale price does not exceed by more than two percent the amount of obligations~~
3.34 ~~otherwise authorized to be issued;~~

4.1 ~~(2) the underwriting fee, discount, or other sales or underwriting commission does not~~
4.2 ~~exceed two percent of the sale price; and~~

4.3 ~~(3) the discount rate necessary to present value total principal and interest payments~~
4.4 ~~over the term of the issue to the sale price does not exceed the lesser of the maximum rate~~
4.5 ~~permitted by law for municipal obligations or ten percent.~~

4.6 (c) Any obligation may bear interest at a rate varying periodically at the time or times
4.7 and on the terms, including convertibility to a fixed rate of interest, determined by the
4.8 governing body of the municipality, but the rate of interest for any period shall not exceed
4.9 any maximum rate of interest for the obligations established by law. For purposes of section
4.10 475.61, subdivisions 1 and 3, the interest payable on variable rate obligations for their term
4.11 shall be determined as if their rate of interest is the lesser of the maximum rate of interest
4.12 payable on the obligations in accordance with their terms or the rate estimated for such
4.13 purpose by the governing body, but if the interest rate is subsequently converted to a fixed
4.14 rate the levy may be modified to provide at least five percent in excess of amounts necessary
4.15 to pay principal of and interest at the fixed rate on the obligations when due. For purposes
4.16 of computing debt service or interest pursuant to section 475.67, subdivision 12, interest
4.17 throughout the term of bonds issued pursuant to this subdivision is deemed to accrue at the
4.18 rate of interest first borne by the bonds. The provisions of this paragraph do not apply to
4.19 general obligations issued by a statutory or home rule charter city with a population of less
4.20 than 7,500, as defined in section 477A.011, subdivision 3, or to general obligations that are
4.21 not rated A or better, or an equivalent subsequently established rating, by Standard and
4.22 Poor's Corporation, Moody's Investors Service or other similar nationally recognized rating
4.23 agency, except that any statutory or home rule charter city, regardless of population or bond
4.24 rating, may issue variable rate obligations as a participant in a bond pooling program
4.25 established by the League of Minnesota Cities that meets this bond rating requirement.

4.26 Sec. 6. Minnesota Statutes 2020, section 475.58, subdivision 3b, is amended to read:

4.27 Subd. 3b. **Street reconstruction and bituminous overlays.** (a) A municipality may,
4.28 without regard to the election requirement under subdivision 1, issue and sell obligations
4.29 for street reconstruction or bituminous overlays, if the following conditions are met:

4.30 (1) the streets are reconstructed or overlaid under a street reconstruction or overlay plan
4.31 that describes the street reconstruction or overlay to be financed, the estimated costs, and
4.32 any planned reconstruction or overlay of other streets in the municipality over the next five
4.33 years, and the plan and issuance of the obligations has been approved by a vote of a two-thirds
4.34 majority of the members of the governing body present at the meeting following a public

5.1 hearing for which notice has been published in the official newspaper at least ten days but
5.2 not more than 28 days prior to the hearing; and

5.3 (2) if a petition requesting a vote on the issuance is signed by voters equal to five percent
5.4 of the votes cast in the last municipal general election and is filed with the municipal clerk
5.5 within 30 days of the public hearing, the municipality may issue the bonds only after
5.6 obtaining the approval of a majority of the voters voting on the question of the issuance of
5.7 the obligations. If the municipality elects not to submit the question to the voters, the
5.8 municipality shall not propose the issuance of bonds under this section for the same purpose
5.9 and in the same amount for a period of 365 days from the date of receipt of the petition. If
5.10 the question of issuing the bonds is submitted and not approved by the voters, the provisions
5.11 of section 475.58, subdivision 1a, shall apply.

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

5.14 (c) For purposes of this subdivision, street reconstruction and bituminous overlays
5.15 ~~includes~~ include but are not limited to: utility replacement and relocation and other activities
5.16 incidental to the street reconstruction; the addition or reconstruction of turn lanes, bicycle
5.17 lanes, sidewalks, paths, and other improvements having a substantial public safety function; ;
5.18 realignments; and other modifications to intersect with state and county roads; ; and the local
5.19 share of state and county road projects. For purposes of this subdivision, "street
5.20 reconstruction" includes expenditures for street reconstruction that have been incurred by
5.21 a municipality before approval of a street reconstruction plan, if such expenditures are
5.22 included in a street reconstruction plan approved on or before the date of the public hearing
5.23 under paragraph (a), clause (1), regarding issuance of bonds for such expenditures.

5.24 (d) Except in the case of turn lanes, bicycle lanes, sidewalks, paths, and other safety
5.25 improvements;; realignments;; intersection modifications;; and the local share of state and
5.26 county road projects, street reconstruction and bituminous overlays does not include the
5.27 portion of project cost allocable to widening a street or adding curbs and gutters where none
5.28 previously existed.

5.29 Sec. 7. Minnesota Statutes 2020, section 475.60, subdivision 1, is amended to read:

5.30 Subdivision 1. **Advertisement.** All obligations shall be negotiated and sold by the
5.31 governing body, except when authority therefor is delegated by the governing body or by
5.32 the charter of the municipality to a board, department, or officers of the municipality. ~~Except~~
5.33 ~~as provided in section 475.56, obligations shall be sold at not less than par value plus accrued~~
5.34 ~~interest to date of delivery and not greater than two percent greater than the amount~~

6.1 ~~authorized to be issued plus accrued interest.~~ Except as provided in subdivision 2 all
6.2 obligations shall be sold at competitive sale after notice given as provided in subdivision
6.3 3.

6.4 Sec. 8. Minnesota Statutes 2020, section 475.67, subdivision 8, is amended to read:

6.5 Subd. 8. **Escrow account securities.** Securities purchased for the escrow account shall
6.6 be limited to:

6.7 (1) general obligations of the United States, securities whose principal and interest
6.8 payments are guaranteed by the United States, including but not limited to Resolution
6.9 Funding Corporation Interest Separate Trading of Registered Interest and Principal of
6.10 Securities (STRIPS) and United States Agency for International Development Bonds or
6.11 STRIPS, and securities issued by ~~the following agencies of the United States: Banks for~~
6.12 ~~Cooperatives,~~ United States government-sponsored enterprises including but not limited to
6.13 Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Land Banks, and
6.14 the Federal Farm Credit System, the Federal National Mortgage Association, or the Federal
6.15 Home Loan Mortgage Corporation; or

6.16 (2) obligations issued or guaranteed by any state or any political subdivision of a state,
6.17 which at the date of purchase are rated in the highest or the next highest rating category by
6.18 Standard and Poor's Corporation, Moody's Investors Service, or a similar nationally
6.19 recognized rating agency, but not less than the rating on the refunded bonds immediately
6.20 prior to the refunding.

6.21 "Rating category," as used in this subdivision, means a generic securities rating category,
6.22 without regard in the case of a long-term rating category to any refinement or gradation of
6.23 such long-term rating category by a numerical modifier or otherwise.

6.24 Sec. 9. **REPEALER.**

6.25 Minnesota Statutes 2020, section 469.055, subdivision 7, is repealed.

APPENDIX
Repealed Minnesota Statutes: H0500-1

469.055 POWERS AND DUTIES.

Subd. 7. **Sale of realty.** The authority may sell, convey, and exchange any real or personal property owned or held by it in any manner and on any terms it wishes. Real property owned by the authority must not be sold, be exchanged, or have its title transferred without approval of two-thirds of the commissioners. All commissioners must have ten days' written notice of a regular or special meeting at which a sale, conveyance, exchange, or transfer of property is to be voted on. The notice must contain a complete description of the affected real estate. The resolution authorizing the real estate transaction is not effective unless a quorum is present.