

Minneapolis is authorized to issue qualified mortgage bonds as that term is defined in and as the bonds are governed by Section 103A of the Internal Revenue Code of 1954, as amended, during any calendar year in an amount not to exceed \$16,000,000. Bonds shall be issued pursuant to authority contained in a special or general law.

Nothing contained within this subdivision shall authorize the issuance of qualified mortgage bonds for a program which would otherwise be subject to Minnesota Statutes, Chapter 462C, without compliance with that chapter.

Subd. 2. ST. PAUL. In accordance with Section 103A(g)(6)(A) of the Internal Revenue Code of 1954, as amended, the city of St. Paul is authorized to issue qualified mortgage bonds as that term is defined and as the bonds are governed by Section 103A of the Internal Revenue Code of 1954, as amended, during any calendar year in an amount not to exceed \$8,500,000. Bonds shall be issued pursuant to authority contained in a special or general law.

Nothing contained within this subdivision shall authorize the issuance of qualified mortgage bonds for a program which would otherwise be subject to Minnesota Statutes, Chapter 462C, without compliance with that chapter.

Sec. 7. REPORT.

By January 1, 1982, the cities of St. Paul and Minneapolis shall report to the appropriate committees of the legislature on the implementation of the program created in sections 1 to 5. The report shall include but is not limited to information on the amount of bonds issued and the number and types of dwelling units served, whether single family, multifamily of four units or less, or multifamily of more than four units.

Sec. 8. EFFECTIVE DATE.

Sections 1 to 5 are effective with respect to each city upon compliance with Minnesota Statutes, Section 645.021, Subdivision 3. Section 6 is effective the day following final enactment.

Approved May 18, 1981

CHAPTER 223 — S.F.No. 808

An act relating to the city of Duluth; authorizing the establishment of a home energy conservation program as part of its municipal utility system and the issuance of municipal revenue bonds or notes for that purpose; requiring a report to the legislature.

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

Section 1. PROGRAM AND PURPOSE.

The city of Duluth may establish a home energy conservation program as part of the service furnished and made available by its municipal utility system. All provisions for the operation and financing of the program shall be made by and pursuant to resolutions adopted by the city council, subject to approval or veto by the mayor. The purpose of this authorization is to provide means for the city to aid all residents of the city, but particularly families of low and moderate income, to maintain their essential home energy requirements at affordable cost, and to reduce progressively, as fast as economically possible, the peak demands for energy needed to maintain the livability of all homes within the city, and thereby tend to assure the continuance of essential public, industrial, and commercial activities as well, under the severest conditions of weather, supply shortages, and transmission failures. The extension of utility services and expenditures of public funds authorized herein are determined to be necessary governmental functions, particularly under present conditions of uncertain and limited oil supplies, high cost of oil and gas, and difficulty and delay in the increase of energy supplies from all sources due to environmental problems. The powers granted herein are supplemental, and the procedures authorized for exercising them are alternative, to those provided in any other law or the city charter.

Sec. 2. SURVEY AND CONTRACTS WITH HOMEOWNERS.

The city may survey homes to identify those where significant energy waste exists and can be reduced by energy conservation projects including but not limited to insulation, weatherstripping, temperature controls, storm windows and doors, furnace modifications, or conversion to cheaper or more plentiful energy sources, at a capital cost recoverable within a 10 year period from energy cost savings. An energy audit to document the cost effectiveness of a full range of energy conserving measures must be performed prior to investment in such measures. It may contract with the owners of such homes to cause work and materials to be furnished for such projects by the means authorized in section 3 and subject to reimbursement in the ways contemplated in section 4. The program shall be limited to homes containing not more than four dwelling units, one occupied as a principal residence by an owner not engaged in the trade or business of rental real estate. Nothing herein, however, shall preclude the city from constructing or financing similar improvements to other property, in any manner otherwise authorized by law or the city charter.

Sec. 3. CONTRACTS FOR WORK AND MATERIALS.

Subdivision 1. The city may negotiate and contract with building trade unions, union members, or contractors, subject to the requirements of section 471.345, to perform work or furnish materials or both, for one or more projects,

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in accordance with schedules coordinated and approved by the city, providing labor at union rates with optimum use of apprentices and trainees under supervision by union members, and with or without public advertisement for bids.

Subd. 2. A homeowner, subject to the approval of the city, may negotiate and contract with building trade unions, union members, or contractors to perform work or furnish materials or both, for one or more projects, in accordance with schedules coordinated and approved by the city.

Subd. 3. The city may contract with a homeowner for labor or materials, or both, provided that in such cases the city may inspect the work performed and shall not pay the homeowner for his labor.

Subd. 4. The city may provide all or part of the materials needed for the program during any period, by contracting with suppliers on a lump sum or unit price basis pursuant to the provisions of Minnesota Statutes, Section 471.345.

Sec. 4. REIMBURSEMENT.

Subdivision 1. CASH PAYMENTS. The city may contract with each homeowner for payment of the cost in cash upon completion of the project, with payment secured by deposit in advance of an amount equal to at least 90 percent of the contract price, or by a written commitment by a bank or other approved financial institution to loan the full amount of the contract price to the homeowner.

Subd. 2. INSTALLMENT PAYMENTS. Alternatively, the city may accept payment by a promissory note in a principal amount equal to the contract price, repayable in equal periodic installments, including both principal and interest on the declining principal balance, payable on the due dates of bills for utility service furnished by the city and made available to the home from the completion date until the principal and interest are fully paid, and matching as closely as possible the estimated reduction in current home energy cost resulting from the project; with such provisions as may be agreed, permitting or restricting prepayment. The installments shall be added to and deemed a part of the charges for municipal utility service to the premises, but shall be deposited when received in a special fund or funds separate from other utility or municipal funds and used only for the payment and security of revenue bonds or notes issued by the city to finance the cost of projects to be paid as provided in this subdivision.

Subd. 3. LIEN FOR UNPAID INSTALLMENTS. The payment of note installments may be enforced in the same manner as other utility charges. The installments are a first and prior lien on the property improved as provided in Minnesota Statutes, Section 514.67, and if not paid when due shall be

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entered upon the tax rolls and collected with and as a part of the taxes on the property, with the same interest and penalties.

Sec. 5. FINANCING.

Subdivision 1. REVENUE BONDS OR NOTES. The city may from time to time issue its revenue bonds or notes in the amounts deemed necessary to provide sufficient funds to finance projects for which promissory notes are given pursuant to section 4, subdivision 2, to fund or refund the principal of or interest or redemption premiums on such revenue bonds or notes, whether or not due, to establish or increase reserves to secure the payment of principal and interest, and to pay all other costs and expenses incident to the completion of the projects and the issuance of the revenue bonds or notes.

Subd. 2. OTHER FUNDS. In lieu of or in addition to the issuance of revenue bonds or notes to finance such projects, the city may use municipal utility revenues or any other funds appropriated by it or granted to it, if available under the terms of outstanding municipal utility bonds and of such grants. Subject to the provisions of applicable grants or bond instruments, it may combine these funds with the proceeds of revenue bonds or notes and may pledge and appropriate such funds and the income therefrom, and the repayments of promissory notes given for projects financed thereby, for the security of the revenue bonds or notes.

Subd. 3. CONDITIONS OF BONDS OR NOTES. Revenue bonds or notes may be issued by resolution of the city council, or under a trust indenture or other security agreement approved by resolution, which may establish the covenants made for their security and may provide for their issuance in one or more series, bearing a date or dates, maturing at a time or times, bearing interest at a rate or rates, either fixed or variable, in denominations and form, either coupon or registered, with such provisions for execution, conversion, registration, and exchange, having relative priorities, payable at a place or places within or outside the state, subject to terms of redemption before maturity with or without premium, and containing any other terms, as provided by the council. They may be sold at public or private sale at the price and in the manner that the council shall determine, and shall not be restricted by the provisions of any other law limiting the amounts, price, maturities, interest rates, or other terms of city obligations, but no holder may enforce payment of the principal or interest from taxes, except as provided in section 4, subdivision 3, or from city funds other than utility revenues, and the revenue bonds or notes shall not be included in the net debt of the city as defined in Minnesota Statutes, Chapter 475. Temporary revenue bonds or notes may be issued pending preparation of and may be exchanged for definitive revenue bonds or notes. Any revenue bonds or notes may be issued and delivered notwithstanding that one or more of the officers executing them shall have ceased to hold office at the time of actual delivery.

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Subd. 4. TERMS OF AGREEMENT WITH HOLDERS. The resolution, trust indenture, or other security agreement under which any revenue bonds or notes are issued shall constitute a contract with the holders and may contain covenants, among others, prescribing:

(1) The pledge of and the grant of a security interest in (a) the proceeds of revenue bonds and notes, (b) all or any part of the revenues derived from repayments of promissory notes given to the city with respect to home energy conservation projects, subject to any existing agreements with the holders of outstanding revenue bonds or notes, (c) all funds and accounts established by the resolution, trust indenture, or other security agreement for the security of the revenue bonds or notes, and (d) the income from the investment of such funds and accounts;

(2) The creation, regulation, and disposition of reserves or sinking funds for the security of the revenue bonds or notes;

(3) The establishment and maintenance of and the use of revenues from charges for service furnished and made available by any or all of the municipal utilities, sufficient at all times to pay the current expenses of operation and maintenance thereof, to pay debt service for and perform covenants securing other obligations payable from municipal utility revenues, and also to restore any deficiency in any reserve established for the security of revenue bonds or notes issued hereunder;

(4) The custody, collection, securing, investment, and payment of the revenues pledged hereunder;

(5) The terms upon which additional or refunding revenue bonds or notes may be issued and secured, and any limitations upon such issuance;

(6) The procedure by which the terms of any contract with or for the benefit of the holders of revenue bonds or notes may be amended or abrogated, the amount of revenue bonds or notes the holders of which must consent thereto, and the manner in which consent may be given;

(7) The definition of the acts or omissions to act which shall constitute events of default, and the rights and remedies of the holders upon the occurrence of such events, including, if so determined, the right to accelerate the due date of the revenue bonds or notes or the right to appoint a receiver or receivers of the property or revenues subject to the lien of the resolution, trust indenture, or other security agreement;

(8) The vesting in a trustee or trustees, within or outside the state, of such properties, rights, powers, and duties in trust as the city may determine, and the limiting of such rights, powers, and duties; and

(9) The performance of any and all conditions established by federal laws and regulations for the exemption of the interest on the revenue bonds or notes from federal income taxation; provided that no revenue bond or note, nor any provision for the security thereof, shall be deemed invalid or unen-

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forceable for the reason that (a) the conditions for such tax exemption do not exist at the time of issuance, or (b) the interest is subsequently determined by a court or administrative agency of competent jurisdiction to be or to have been subject to federal income taxation.

Sec. 6. EFFECT OF OTHER STATE AND FEDERAL LEGISLATION.

Subdivision 1. LAW OR CHARTER NOT TO LIMIT PROJECTS. Projects initiated and financed pursuant to this act shall not be limited or otherwise affected by the provisions of Minnesota Statutes, Chapter 462C or any other state law or charter provision.

Subd. 2. STATUS AND PROCEEDS OF BONDS AND NOTES. The revenue bonds and notes authorized herein are not considered to be mortgage subsidy bonds within the meaning of section 103A of the Internal Revenue Code of 1954, as amended, which provides that the interest on such bonds is subject to federal income taxation; because they are authorized for the purpose of financing improvements needed for the welfare of the city as a whole, to avoid hardship which would result from the failure of utility service within the city. The proceeds are not to be used for owner-financing of home improvements generally, but for financing the city's undertaking of improvements which, though situated on private premises, are needed to protect all the citizens, in a manner which is intended to pay the cost without thereby raising materially the level of current home energy costs of either the owners of the premises or other utility customers.

Subd. 3. GENERAL POWERS. Notwithstanding the provisions of subdivision 2, the city is authorized to do all things determined on the advice of counsel to be necessary or desirable to assure that any issue of revenue bonds or notes hereunder, if subject to section 103A of the Internal Revenue Code of 1954, as amended, will be a qualified mortgage bond issue as described therein, the interest on which will be and remain exempt from federal income taxation. Until and unless it is determined by a clarifying amendment of section 103A of the Internal Revenue Code of 1954, as amended, or by rulings or regulations of the internal revenue service or a decision of a court of competent jurisdiction, that such issues are not mortgage subsidy bonds, the applicable limit established pursuant to section 103A of the Internal Revenue Code of 1954, as amended, upon the amount of qualified mortgage bonds which the city may issue in any calendar year, shall be \$3,000,000.

Sec. 7. COLLATERAL FOR PUBLIC DEPOSITS.

Revenue bonds and notes issued pursuant to sections 1 to 7 may be pledged as collateral for the security of deposits of public funds under the provisions of Minnesota Statutes, Chapter 118.

Sec. 8. REPORT.

By January 1, 1982, the city of Duluth shall report to the appropriate committees of the legislature on the implementation of the program created in

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sections 1 to 7. The report shall include but is not limited to information on the amount of bonds issued, average size of loans, types of energy conservation measures financed, number of households served, and an analysis of the effectiveness of the program.

Sec. 9. EFFECTIVE DATE.

This act is effective upon compliance with Minnesota Statutes, Section 645.021, Subdivision 3.

Approved May 18, 1981

CHAPTER 224 — S.F.No. 1106

An act relating to retirement; clarifying certain ambiguous provisions; correcting certain oversights, inconsistencies, unintended results and erroneous provisions; eliminating certain redundant, obsolete or conflicting provisions; amending Minnesota Statutes 1980, Sections 3.85, Subdivision 3; 3A.01, Subdivisions 2 and 7; 3A.02, Subdivision 1; 3A.04, Subdivisions 1, 1a, 2 and 4; 3A.05; 3A.09; 3A.11, Subdivisions 1 and 2; 3A.12, Subdivision 1; 11A.17, Subdivision 11; 11A.23, Subdivision 2; 15A.083, Subdivision 3; 16A.19; 43.051, Subdivision 4; 69.011, Subdivision 1; 69.031, Subdivisions 5 and 6; 69.051, Subdivision 1; 69.77, Subdivisions 1, 1a, 2 and 2a; 69.772, Subdivisions 2 and 2a; 69.773, Subdivision 2; 118.01, Subdivision 11; 136.80, Subdivision 1; 136.81; 136.82; 136.83; 136.85; 136.87, Subdivisions 1 and 2; 275.125, Subdivision 6a; 275.50, Subdivision 5; 352.01, Subdivisions 2A, 11, 19 and 23; 352.029, Subdivision 1; 352.03, Subdivision 6; 352.113, Subdivision 4; 352.115, Subdivision 10; 352.116, Subdivision 3; 352.12, Subdivision 11; 352.22, Subdivisions 2a, 3 and 10; 352.72, Subdivisions 2 and 4; 352.75; 352.85, by adding a subdivision; 352.90; 352.91, Subdivision 2; 352B.02, Subdivision 1; 352B.08, Subdivision 2; 352B.11, Subdivision 2; 352B.26, Subdivisions 1 and 3; 352C.031, by adding a subdivision; 352C.04, Subdivision 1; 352D.02, Subdivisions 1 and 2; 352D.04, Subdivision 2; 352D.09, Subdivision 1; 352E.01, Subdivision 1; 353.01, Subdivisions 6, 7 and 10; 353.023; 353.03, Subdivision 1; 353.16; 353.28, Subdivisions 6 and 8; 353.29, Subdivision 4; 353.30, Subdivision 1c; 353.31, Subdivisions 1 and 9; 353.32, Subdivision 1a; 353.33, Subdivision 2; 353.34, Subdivision 3; 353.36, Subdivision 2; 353.37, Subdivisions 1 and 1a; 353.46, Subdivision 1a, and by adding a subdivision; 353.64, by adding a subdivision; 353.656, Subdivision 6; 353.71, Subdivision 1; 354.05, Subdivisions 2, 13, 24, 25 and 26; 354.06, Subdivision 1; 354.07, Subdivision 1; 354.43, Subdivision 4; 354.44, Subdivisions 1a, 4, 5, 6, 7 and 8; 354.47, Subdivision 1; 354.48, Subdivision 10, and by adding a subdivision; 354.50, Subdivision 2; 354.51, Subdivisions 1, 4 and 5; 354.52, Subdivisions 2, 3 and 4; 354.53, Subdivisions 1 and 3; 354.55, Subdivision 11; 354.56; 354.57; 354.60; 354.62, Subdivision 5; 354.66; 354.69; 354A.011, Subdivision 27; 354A.091, Subdivisions 1 and 6; 354A.092; 354A.094, Subdivisions 3, 8, 11, and by adding a subdivision; 354A.31, Subdivision 3; 354A.35, Subdivisions 2 and 3; 355.07; 355.11, Subdivisions 2, 4 and 5; 355.13, Subdivision 2; 355.21, Subdivisions 2 and 4; 355.22; 355.23, Subdivision 1; 355.29, Subdivisions 1, 3 and 4; 355.311, Subdivisions 1, 2 and 4; 355.41, Subdivisions 2, 3, 4

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