

(3) four members appointed from outside of the metropolitan area to reflect fairly the various regions and interests throughout the state that are affected by the operation of the commission's major airport and airport system. Two of these members must be residents of statutory or home rule charter cities, towns, or counties containing an airport designated by the commissioner of transportation as a key airport. The other two must be residents of statutory or home rule charter cities, towns, or counties containing an airport designated by the commissioner of transportation as an intermediate airport. The members must be appointed by the governor as follows: one for a term of one year, one for a term of two years, one for a term of three years, and one for a term of four years. All of the terms start on July 1, 1989. The successors of each member must be appointed to four-year terms commencing on ~~July 1~~ the first Monday in January of each fourth year after the expiration of the original term. Before making an appointment, the governor shall consult each member of the legislature representing the municipality or county from which the member is to be appointed, to solicit the legislator's recommendation on the appointment; and

(4) a chair appointed by the governor for a term of four years. The chair may be removed at the pleasure of the governor.

Sec. 7. **REPEALER.**

Minnesota Statutes 1992, section 473.123, subdivision 3b, is repealed.

Sec. 8. **EFFECTIVE DATE.**

This act is effective the day following final enactment in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Presented to the governor May 17, 1993

Signed by the governor May 20, 1993, 2:14 p.m.

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**CHAPTER 315—S.F.No. 580**

*An act relating to government; providing for the preparation and review of accounts; providing for duties of the state auditor; providing for the costs of examinations; defining the limits to various types of compensation; providing procedures for the satisfaction of claims; providing procedures for the removal of city managers; limiting certain high risk investments; providing for severance pay and other benefits in certain cases; exempting Hazel Run from annual audit for the year 1992; amending Minnesota Statutes 1992, sections 6.56; 16B.06, subdivision 4; 43A.17, subdivision 9, and by adding a subdivision; 340A.602; 375.162, subdivision 2; 375.18, by adding subdivisions; 412.271, subdivision 1, and by adding subdivisions; 412.641, subdivision 1; and 475.66, subdivision 3, and by adding subdivisions; proposing coding for new law in Minnesota Statutes, chapters 6; 465; and 471.*

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

**Section 1. [6.551] EXAMINATION OF GRANTEEES AND CONTRACTORS OF LOCAL GOVERNMENTS.**

The state auditor may examine the books, records, documents, and accounting procedures and practices of a contractor or grantee of a local government pursuant to section 16B.06, subdivision 4. The examination shall be limited to the books, records, documents, and accounting procedures and practices that are relevant to the contract or transaction with the local government.

Sec. 2. Minnesota Statutes 1992, section 6.56, is amended to read:

**6.56 COST OF EXAMINATION, PAYMENT.**

Subdivision 1. DEFINITION. As used in this section, "political subdivision" means any county, home rule charter or statutory city, town, school district, metropolitan or regional agency, or other special purpose district of the state of Minnesota.

Subd. 2. BILLINGS BY STATE AUDITOR. Upon the examination of the books, records, accounts, and affairs of any ~~county, city, town, or school district~~ political subdivision, as provided by law, such ~~county, city, town, or school district~~ political subdivision shall be liable to the state for the total cost and expenses of such examination, including the salaries paid to the examiners while actually engaged in making such examination. The state auditor may bill such ~~county, city, town, or school district~~ political subdivision monthly for service rendered and the officials responsible for approving and paying claims are authorized to pay said bill promptly. Said payments shall be without prejudice to any defense against said claims that may exist or be asserted. The general fund shall be credited with all collections made for any such examinations, including interest payments made pursuant to subdivision 3.

Subd. 3. PAYMENT OF INTEREST ON LATE PAYMENTS REQUIRED. (a) A political subdivision shall pay interest to the state auditor for undisputed billings when the political subdivision has not paid the billing within 60 days following receipt of the invoice. A negotiated contract or agreement between a political subdivision and the state auditor which requires an audit by the political subdivision before acceptance and payment of the state auditor's invoice shall not be considered past due until 60 days after the completion of the audit by the political subdivision. Before any interest payment is made, the state auditor must invoice the political subdivision for the interest.

(b) The rate of interest paid by the political subdivision on undisputed bills not paid within 60 days shall be 1.5 percent per month or any part of a month.

(c) No interest penalties may accrue against a political subdivision that delays payment of a bill due to a disagreement with the state auditor over the validity of the bill if the dispute is settled within 60 days after the bill became due. Upon the resolution of the dispute, the political subdivision must pay the

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state auditor accrued interest on all proper invoices for which payment was not received within 60 days following the receipt of the original invoice.

(d) The minimum monthly interest penalty payment that a political subdivision shall pay the state auditor for the unpaid balance for any one overdue bill equal to or in excess of \$100, is \$10. For unpaid balances of less than \$100, the political subdivision shall pay the actual penalty due to the state auditor.

**Sec. 3. [6.745] SUMMARY BUDGET DATA TO THE STATE AUDITOR.**

Subdivision 1. CITIES. Annually, upon adoption of the city budget, the city council of each home rule charter or statutory city shall forward summary budget information to the office of the state auditor. The summary budget information shall be provided on forms prescribed by the state auditor. The office of the state auditor shall work with representatives of city government to develop a budget reporting form that conforms with city budgeting practices and provides the necessary summary budget information to the office of the state auditor. The summary budget data shall be provided to the office of the state auditor no later than December 31 of the year preceding each budget year.

Subd. 2. COUNTIES. Annually, upon adoption of the county budget, the county board shall forward summary budget information to the office of the state auditor. The summary budget information shall be provided on forms prescribed by the state auditor. The office of the state auditor shall work with representatives of county government to develop a budget reporting form that conforms with county budgeting practices and provides the necessary summary budget information to the office of the state auditor. The summary budget data shall be provided to the office of the state auditor no later than December 31 of the year preceding each budget year.

Sec. 4. Minnesota Statutes 1992, section 16B.06, subdivision 4, is amended to read:

Subd. 4. SUBJECT TO AUDIT. A contract or any disbursement of public funds to a provider of services or a grantee made by or under the supervision of the commissioner, an agency, or any county or unit of local government must include, expressly or impliedly, an audit clause that provides that the books, records, documents, and accounting procedures and practices of the contractor or other party, relevant to the contract or transaction are subject to examination by the contracting agency, and either the legislative auditor or the state auditor as appropriate. If the contracting agency is a local unit of government, and the governing body of the local unit of government requests that the state auditor examine the books, records, documents, and accounting procedures and practices of the contractor or other party pursuant to this subdivision, the contracting agency shall be liable for the cost of the examination. If the contracting agency is a local unit of government, and the grantee, contractor, or other party requests that the state auditor examine all books, records, documents, and accounting procedures and practices related to the contract, the grantee, contrac-

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tor, or other party that requested the examination shall be liable for the cost of the examination. A state contract made for purchase, lease, or license of software and data from the state is not required to contain that audit clause.

Sec. 5. Minnesota Statutes 1992, section 43A.17, subdivision 9, is amended to read:

Subd. 9. **POLITICAL SUBDIVISION SALARY COMPENSATION LIMIT.** The salary and the value of all other forms of compensation of a person employed by a statutory or home rule charter city, county, town, school district, metropolitan or regional agency, or other political subdivision of this state, or employed under section 422A.03, may not exceed 95 percent of the salary of the governor as set under section 15A.082, except as provided in this subdivision. Deferred compensation and payroll allocations to purchase an individual annuity contract for an employee are included in determining the employee's salary. Other forms of compensation which shall be included to determine an employee's total compensation are all other direct and indirect items of compensation which are not specifically excluded by this subdivision. Other forms of compensation which shall not be included in a determination of an employee's total compensation for the purposes of this subdivision are:

(1) employee benefits that are also provided for the majority of all other full-time employees of the political subdivision, vacation and sick leave allowances, health and dental insurance, disability insurance, term life insurance, and pension benefits or like benefits the cost of which is borne by the employee or which is not subject to tax as income under the Internal Revenue Code of 1986;

(2) dues paid to organizations that are of a civic, professional, educational, or governmental nature; and

(3) reimbursement for actual expenses incurred by the employee which the governing body determines to be directly related to the performance of job responsibilities, including any relocation expenses paid during the initial year of employment.

The value of other forms of compensation shall be the annual cost to the political subdivision for the provision of the compensation. The salary of a medical doctor or doctor of osteopathy occupying a position that the governing body of the political subdivision has determined requires an M.D. or D.O. degree is excluded from the limitation in this subdivision. The commissioner may increase the limitation in this subdivision for a position that the commissioner has determined requires special expertise necessitating a higher salary to attract or retain a qualified person. The commissioner shall review each proposed increase giving due consideration to salary rates paid to other persons with similar responsibilities in the state and nation. The commissioner may not increase the limitation until the commissioner has presented the proposed increase to the legislative commission on employee relations and received the commission's recommendation on it. The recommendation is advisory only. If the commission does not give its recommendation on a proposed increase within 30 days from

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its receipt of the proposal, the commission is deemed to have recommended approval.

Sec. 6. Minnesota Statutes 1992, section 43A.17, is amended by adding a subdivision to read:

Subd. 11. SEVERANCE PAY FOR CERTAIN EMPLOYEES. (a) For purposes of this subdivision, "highly compensated employee" means an employee of the state whose estimated annual compensation is greater than 60 percent of the governor's annual salary, and who is not covered by a collective bargaining agreement negotiated under chapter 179A.

(b) Severance pay for a highly compensated employee includes benefits or compensation with a quantifiable monetary value, that are provided for an employee upon termination of employment and are not part of the employee's annual wages and benefits and are not specifically excluded by this subdivision. Severance pay does not include payments for accumulated vacation, accumulated sick leave, and accumulated sick leave liquidated to cover the cost of group term insurance. Severance pay for a highly compensated employee does not include payments of periodic contributions by an employer toward premiums for group insurance policies. The severance pay for a highly compensated employee must be excluded from retirement deductions and from any calculations of retirement benefits. Severance pay for a highly compensated employee must be paid in a manner mutually agreeable to the employee and the employee's appointing authority over a period not to exceed five years from retirement or termination of employment. If a retired or terminated employee dies before all or a portion of the severance pay has been disbursed, the balance due must be paid to a named beneficiary or, lacking one, to the deceased's estate. Except as provided in paragraph (c), severance pay provided for a highly compensated employee leaving employment may not exceed an amount equivalent to six months of pay.

(c) Severance pay for a highly compensated employee may exceed an amount equivalent to six months of pay if the severance pay is part of an early retirement incentive offer approved by the state and the same early retirement incentive offer is also made available to all other employees of the appointing authority who meet generally defined criteria relative to age or length of service.

Sec. 7. Minnesota Statutes 1992, section 340A.602, is amended to read:

#### 340A.602 CONTINUATION.

In any city in which the report of the operations of a municipal liquor store has shown a net loss prior to interfund transfer in any two of three consecutive years ~~both (1) a net loss and (2) that no contribution to other municipal funds has been made from the net income of the operation~~, the city council shall, not more than 45 days prior to the end of the fiscal year following the three-year period, hold a public hearing on the question of whether the city shall continue to operate a municipal liquor store. Two weeks notice, written in clear and eas-

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ily understandable language, of the hearing must be printed in the city's official newspaper. Following the hearing the city council may on its own motion or shall upon petition of five percent or more of the registered voters of the city, submit to the voters at a general or special municipal election the question of whether the city shall continue or discontinue municipal liquor store operations by a date which the city council shall designate. The date designated by the city council must not be more than 30 months following the date of the election.

Sec. 8. Minnesota Statutes 1992, section 375.162, subdivision 2, is amended to read:

Subd. 2. The county board may authorize an imprest fund for the purpose of advancing money to officers or employees to pay their actual and necessary expenses in attending meetings outside the county or for other travel that is related to the performance of their job duties. The county board shall appoint a custodian of the fund who shall be responsible for its safekeeping and disbursement according to law. Attendance at meetings and other travel outside the county shall be authorized in advance by the county board. At a meeting of the county board in the month after ~~a meeting approved travel~~ outside the county, the officer or employee shall submit an itemized claim for the actual and necessary expenses incurred and paid ~~in attending the meeting related to the approved travel~~. The county board shall act upon it as in the case of other claims and a warrant shall be issued to the officer or employee for the amount allowed. The officer or employee shall use the proceeds of the warrant to repay the amount advanced from the fund. If the amount approved by the county board is insufficient to repay the advance, the officer or employee shall be personally responsible for the difference.

Sec. 9. Minnesota Statutes 1992, section 375.18, is amended by adding a subdivision to read:

Subd. 1a. DEFINITION. For purposes of this section, a "county administrative official" shall mean a county auditor, treasurer, auditor-treasurer, administrator, coordinator, manager, a clerk/administrator, or a senior fiscal officer.

Sec. 10. Minnesota Statutes 1992, section 375.18, is amended by adding a subdivision to read:

Subd. 1b. DELEGATION OF AUTHORITY FOR PAYING CERTAIN CLAIMS. A county board, at its discretion, may delegate its authority to pay certain claims made against the county to a county administrative official. County boards opting to delegate their authority to review claims before payment pursuant to this subdivision shall have internal accounting and administrative control procedures to ensure the proper disbursement of public funds. The procedures shall include regular and frequent review of the county administrative officials' actions by the board. A list of all claims paid under the procedures established by the county board shall be presented to the board for informational purposes only at the next regularly scheduled meeting after payment of the claim. A county board that delegates its authority to pay certain claims made against the county must adopt a resolution authorizing a specified county

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administrative official to pay the claims that meet the standards and procedures established by the board. This subdivision does not apply to a home rule charter county for which the county charter provides an alternative method for paying claims made against the county.

Sec. 11. Minnesota Statutes 1992, section 412.271, subdivision 1, is amended to read:

Subdivision 1. **METHOD.** No disbursement of city funds, including funds of any municipal liquor dispensary operated by the city, shall be made except by an order drawn by the mayor and clerk upon the treasurer. Except when issued for the payment of judgments, salaries and wages previously fixed by the council or by statute, principal and interest on obligations, rent and other fixed charges, the exact amount of which has been previously determined by contract authorized by the council, and except as otherwise provided in subdivisions 4 and 5, and 8, no order shall be issued until the claim to which it relates has been audited and allowed by the council.

Sec. 12. Minnesota Statutes 1992, section 412.271, is amended by adding a subdivision to read:

Subd. 7. **DEFINITION.** For purposes of this section, a "city administrative official" means a city manager, administrator, treasurer, senior fiscal officer, clerk, or clerk-treasurer.

Sec. 13. Minnesota Statutes 1992, section 412.271, is amended by adding a subdivision to read:

Subd. 8. **DELEGATION OF AUTHORITY FOR PAYING CERTAIN CLAIMS.** A city council, at its discretion, may delegate its authority to pay cer-

tain claims made against the city to a city administrative official. City councils opting to delegate their authority to review claims before payment pursuant to this subdivision shall have internal accounting and administrative control procedures to ensure the proper disbursement of public funds. The procedures shall include regular and frequent review of the city administrative officials' actions by the council. A list of all claims paid under the procedures established by the city council shall be presented to the council for informational purposes only at the next regularly scheduled meeting after payment of the claim. A city council that delegates its authority to pay certain claims made against the city must adopt a resolution authorizing a specified city administrative official to pay the claims that meet the standards and procedures established by the council. A city council of a city that does not prepare annual audited financial statements which have been attested to by an independent certified public accountant, public accountant, or the state auditor, may not delegate its authority for paying certain claims against the city pursuant to this subdivision.

Sec. 14. Minnesota Statutes 1992, section 412.641, subdivision 1, is amended to read:

Subdivision 1. The city manager shall be chosen by the council solely on the basis of training, experience, and administrative qualifications and need not be a resident of the city at the time of appointment. The manager shall be appointed for an indefinite period and may be removed by the council at any time, but after having served as manager for one year the city manager may demand written charges and a public hearing on the charges before the council prior to the date when final removal takes effect. A demand for written charges and a hearing must be made within seven days of notification of the council's intent to remove the city manager. The council shall set a date and a reasonable time for a public hearing, which must be held within 30 days of the demand and may not be reconvened or recessed until a further date, absent approval of the council. The council shall notify the city manager within five days of the hearing, of the council's decision to retain or remove the city manager. The decision of the council is final. Pending such hearing and removal, the council may suspend the manager, with or without pay, at the council's discretion, from office. The council may designate some properly qualified person to perform the duties of the manager during absence or disability.

**Sec. 15. [465.722] SEVERANCE PAY FOR HIGHLY COMPENSATED EMPLOYEES.**

Subdivision 1. DEFINITIONS. For the purposes of this section, the terms defined in this subdivision have the meanings given them.

(a) "Local unit of government" means a statutory or home rule charter city, county, town, school district, metropolitan or regional agency, or other political subdivision.

(b) "Wages" has the meaning provided by section 3401(a) of the Internal Revenue Code of 1986, as amended through December 31, 1992.

(c) "Highly compensated employee" means an employee of a local unit of government with estimated annual wages that:

- (1) are greater than 60 percent of the governor's annual salary; and
- (2) are equal to, or greater than, 80 percent of the estimated annual wages of the second highest paid employee of the local unit of government.

Subd. 2. LIMITS ON SEVERANCE PAY. Notwithstanding any contrary provision of section 465.72, subdivision 1, severance pay for a highly compensated employee includes benefits or compensation with a quantifiable monetary value, that are provided for an employee upon termination of employment and are not part of the employee's annual wages and benefits and are not specifically excluded by this subdivision. Severance pay shall not include payments for accumulated vacation, accumulated sick leave, and accumulated sick leave liquidated to cover the cost of group term insurance provided under section 471.61 to retiring employees. Severance pay for a highly compensated employee does not include payments of periodic contributions by an employer toward premiums for group insurance policies. The severance pay for a highly compensated

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employee must be excluded from retirement deductions and from any calculations of retirement benefits. Severance pay for a highly compensated employee must be paid in a manner mutually agreeable to the employee and the governing body of the local unit of government over a period not to exceed five years from retirement or termination of employment. If a retired or terminated employee dies before all or a portion of the severance pay has been disbursed, the balance due must be paid to a named beneficiary or, lacking one, to the deceased's estate. Except as provided in subdivision 3, severance pay provided for a highly compensated employee leaving employment may not exceed an amount equivalent to six months of wages.

**Subd. 3. EXCEPTIONS TO MAXIMUM ALLOWABLE SEVERANCE PAY FOR A HIGHLY COMPENSATED EMPLOYEE.** Severance pay for a highly compensated employee may exceed an amount equivalent to six months of wages if:

(1) the severance pay benefit is included in an employment contract between the employee and the local unit of government that is in effect on the effective date of this section, and the termination of employment occurs before the expiration date of said contract;

(2) the severance pay is part of an early retirement incentive offer approved by the governing body of the local unit of government and the same early retirement incentive offer is also made available to all other employees of the local unit of government who meet generally defined criteria relative to age or length of service;

(3) the governing body of a local unit of government adopts a resolution certifying that:

(i) the highly-compensated employee was a full-time employee of the local unit of government for the entire period between January 1, 1983, and December 31, 1992;

(ii) the highly-compensated employee was covered by one or more employment contracts or agreements which entitled the employee to specified severance pay benefits throughout the entire ten-year period specified in clause (i);

(iii) the employment contract or agreement in effect on December 31, 1992, will, at the time of the employee's separation from employment with the local unit of government, result in a severance payment that exceeds the limits specified in subdivision 2; and

(iv) the amount of severance pay that exceeds the limits specified in subdivision 2 was based on a commitment to provide the employee with a specified severance guarantee in lieu of a higher level of some other form of compensation; or

(4) the commissioner of employee relations has determined a position

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within a specific local unit of government requires special expertise necessitating a larger severance pay guarantee to attract or retain a qualified person. The commissioner shall develop a process for the governing body of a local unit of government to use when applying for an exemption under this clause. The commissioner shall review each proposed exemption giving due consideration to severance pay guarantees that are made to other persons with similar responsibilities in the state and nation.

Nothing in this subdivision shall be deemed to allow total severance payments for a highly compensated employee that exceed the limits established in section 465.72.

**Subd. 4. GOVERNING BODY MUST APPROVE CERTAIN PAYMENTS; TIME FOR RECISION.** Notwithstanding section 13.43, subdivision 2, any payment to a highly compensated employee for settling disputed claims, whether or not the claims have been filed, or any payment to a highly compensated employee for terminating a written employment contract, must be approved by the governing body of the local unit of government during a public meeting. The financial terms of a payment made pursuant to this subdivision must be made public at the meeting. The effective date of the governing body's approval of a payment made pursuant to this subdivision shall be 15 days after the date of the public meeting. The governing body of a local unit of government approving a payment pursuant to this subdivision, or the employee to whom the payment is to be made, may rescind or reject the payment, prior to the effective date of the governing body's approval.

**Sec. 16. [471.666] PERSONAL USE OF PUBLICLY-OWNED AUTOMOBILES PROHIBITED.**

Subdivision 1. DEFINITIONS. For purposes of this section, the following definitions shall apply:

(a) "Local government vehicle" means a vehicle owned or leased by a political subdivision of the state of Minnesota or loaned to a political subdivision.

(b) "Political subdivision" means a statutory or home rule charter city, county, town, school district, metropolitan or regional agency, or other special purpose district of this state.

(c) "Local government employee" or "employee" means an individual who is appointed or employed by a political subdivision, including all elected officials of political subdivisions.

**Subd. 2. RESTRICTED USES.** A local government vehicle may be used only for authorized local government business, including personal use that is clearly incidental to the use of the vehicle for local government business. A local government vehicle may not be used for transportation to or from the residence of a local government employee, except as provided in subdivision 3.

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Subd. 3. PERMITTED USES. A local government vehicle may be used by a local government employee to travel to or from the employee's residence:

(1) in connection with work-related activities during hours when the employee is not working;

(2) if the employee has been assigned the use of a local government vehicle for authorized local government business on an extended basis, and the employee's primary place of work is not the local government work station to which the employee is permanently assigned; or

(3) if the employee has been assigned the use of a local government vehicle for authorized local government business away from the work station to which the employee is permanently assigned, and the number of miles traveled, or the time needed to conduct the business, will be minimized if the employee uses a local government vehicle to travel to the employee's residence before or after traveling to the place of local government business.

Subd. 4. EXCEPTIONS. This section does not apply to public safety vehicles that are owned or leased by a political subdivision.

Sec. 17. Minnesota Statutes 1992, section 475.66, subdivision 3, is amended to read:

Subd. 3. Subject to the provisions of any resolutions or other instruments securing obligations payable from a debt service fund, any balance in the fund may be invested

(a) in governmental bonds, notes, bills, mortgages, and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, excluding mortgage-backed securities that are defined as high risk pursuant to subdivision 5, or in certificates of deposit secured by letters of credit issued by federal home loan banks,

(b) in shares of an investment company (1) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and (2) whose only investments are in (i) securities described in the preceding clause, except that mortgage-backed securities defined as high risk pursuant to subdivision 5 do not apply to shares of an investment company, (ii) general obligation tax-exempt securities rated A or better by a national bond rating service, and (iii) repurchase agreements or reverse repurchase agreements fully collateralized by those securities, if the repurchase agreements or reverse repurchase agreements are entered into only with those primary reporting dealers that report to the Federal Reserve Bank of New York and with the 100 largest United States commercial banks,

(c) in any security which is (1) a general obligation of the state of Minnesota or any of its municipalities, or (2) a general obligation of another state or local

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government with taxing powers which is rated A or better by a national bond rating service, or (3) a general obligation of the Minnesota housing finance agency, or (4) a general obligation of a housing finance agency of any state if it includes a moral obligation of the state, or (5) a general or revenue obligation of any agency or authority of the state of Minnesota other than a general obligation of the Minnesota housing finance agency. Investments under clauses (3) and (4) must be in obligations that are rated A or better by a national bond rating service and investments under clause (5) must be in obligations that are rated AA or better by a national bond rating service,

(d) in bankers acceptances of United States banks eligible for purchase by the Federal Reserve System,

(e) in commercial paper issued by United States corporations or their Canadian subsidiaries that is of the highest quality and matures in 270 days or less, or

(f) in guaranteed investment contracts issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies or their Canadian or United States subsidiaries; provided that the investment contracts rank on a parity with the senior unsecured debt obligations of the issuer or guarantor and, (1) in the case of long-term investment contracts, either (i) the long-term senior unsecured debt of the issuer or guarantor is rated, or obligations backed by letters of credit of the issuer or guarantor if forming the primary basis of a rating of such obligations would be rated, in the highest or next highest rating category of Standard & Poor's Corporation, Moody's Investors Service, Inc., or a similar nationally recognized rating agency, or (ii) if the issuer is a bank with headquarters in Minnesota, the long-term senior unsecured debt of the issuer is rated, or obligations backed by letters of credit of the issuer if forming the primary basis of a rating of such obligations would be rated in one of the three highest rating categories of Standard & Poor's Corporation, Moody's Investors Service, Inc., or similar nationally recognized rating agency, or (2) in the case of short-term investment contracts, the short-term unsecured debt of the issuer or guarantor is rated, or obligations backed by letters of credit of the issuer or guarantor if forming the primary basis or a rating of such obligations would be rated, in the highest two rating categories of Standard and Poor's Corporation, Moody's Investors Service, Inc., or similar nationally recognized rating agency.

The fund may also be used to purchase any obligation, whether general or special, of an issue which is payable from the fund, at such price, which may include a premium, as shall be agreed to by the holder, or may be used to redeem any obligation of such an issue prior to maturity in accordance with its terms. The securities representing any such investment may be sold or hypothecated by the municipality at any time, but the money so received remains a part of the fund until used for the purpose for which the fund was created.

Sec. 18. Minnesota Statutes 1992, section 475.66, is amended by adding a subdivision to read:

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Subd. 5. For the purposes of this section, "high risk mortgage-backed securities" are:

(a) interest-only or principal-only mortgage-backed securities; and

(b) any mortgage derivative security that:

(1) has an expected average life greater than ten years;

(2) has an expected average life that:

(i) will extend by more than four years as the result of an immediate and sustained parallel shift in the yield curve of plus 300 basis points; or

(ii) will shorten by more than six years as the result of an immediate and sustained parallel shift in the yield curve of minus 300 basis points; or

(3) will have an estimated change in price of more than 17 percent, as the result of an immediate and sustained parallel shift in the yield curve of plus or minus 300 basis points.

Sec. 19. Minnesota Statutes 1992, section 475.66, is amended by adding a subdivision to read:

Subd. 6. (a) For the purpose of this subdivision, the term "broker" means a broker-dealer, broker, or agent of a municipality, who transfers, purchases, sells, or obtains securities for, or on behalf of, a municipality.

(b) Prior to completing an initial transaction with a broker, a municipality shall provide to the broker a written statement of investment restrictions which shall include a provision that all future investments are to be made in accordance with Minnesota Statutes governing the investment of public funds.

A broker must acknowledge receipt of the statement of investment restrictions in writing and agree to handle the municipality's account in accordance with these restrictions. A municipality may not enter into a transaction with a broker until the broker has provided this written agreement to the municipality.

The state auditor shall prepare uniform notification forms which shall be used by the municipalities and the brokers to meet the requirements of this subdivision.

#### Sec. 20. ROLLOVER EMPLOYMENT CONTRACTS.

Subdivision 1. APPLICABILITY. This section applies only to employment contracts that are in effect on the effective date of this act, or have been signed prior to the effective date of this act, and does not apply to employment contracts that are signed on or after the effective date of this act.

Subd. 2. ACTIONS BY GOVERNING BODY. (a) The governing body of a political subdivision may not agree to extend an existing employment contract with an employee of the political subdivision, or a group of employees of the political subdivision. If the governing body of a political subdivision is a party to an existing employment contract which requires the governing body to take action to prevent an automatic extension of the contract, the governing body

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shall take the action specified in the contract to prevent the automatic extension of the contract.

(b) The governing body of a political subdivision that is a party to an employment contract affected by paragraph (a), may, at its sole discretion, agree to enter into a new employment contract with the affected employee or employees. The new employment contract shall conform to the provisions of this act.

Sec. 21. **EXEMPTION FROM ANNUAL AUDIT.**

Notwithstanding Minnesota Statutes, section 412.591, subdivision 2, the city of Hazel Run is exempt from the annual audit of the city's financial affairs for the 1992 year.

Sec. 22. **SEVERABILITY.**

If any section of this act is found unconstitutional, that finding does not affect the constitutionality of the remaining sections.

Sec. 23. **EFFECTIVE DATE.**

Section 19 is effective January 1, 1994.

Presented to the governor May 17, 1993

Signed by the governor May 20, 1993, 3:47 p.m.

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**CHAPTER 316—S.F.No. 751**

*An act relating to commerce; regulating tanning facilities; requiring warning notices; establishing record keeping requirements; prescribing penalties; proposing coding for new law in Minnesota Statutes, chapter 461.*

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

**REGULATION OF TANNING FACILITIES**

Section 1. **[461.16] DEFINITIONS.**

Subdivision 1. APPLICATION. The definitions in this section apply to sections 461.16 to 461.26.

Subd. 2. CONSUMER. "Consumer" means an individual who is provided access to a tanning facility.

Subd. 3. INDIVIDUAL. "Individual" means a human being.

Subd. 4. OPERATOR. "Operator" means an individual designated by the tanning facility owner or tanning equipment lessee to operate, or to assist and

New language is indicated by underline, deletions by ~~strikeout~~.