

ARTICLE 2

METROPOLITAN COUNCIL TRANSIT

Section 1. METROPOLITAN COUNCIL TRANSIT APPROPRIATION.

(a) \$25,000,000 in fiscal year 2001 and \$19,000,000 in fiscal year 2002 is appropriated from the general fund to the metropolitan council for public improvements of a capital nature for engineering, design, and construction of an exclusive bus transitway including, but not limited to, acquisition of land and right-of-way.

(b) None of the money appropriated in this section may be spent for light rail transit or commuter rail purposes. The appropriation in paragraph (a), split between the two fiscal years, is nonrecurring, for one-time only, and does not commit the state to make any additional appropriations for the activities described in paragraph (a).

(c) The money necessary to complete the project described in paragraph (a) must come from nonstate sources. A property tax levied by or for the metropolitan council must not be one of those nonstate sources.

Presented to the governor May 11, 2000

Signed by the governor May 15, 2000, 6:45 p.m.

CHAPTER 493—S.F.No. 3730

An act relating to public finance; authorizing certain investments by joint powers investment trusts; exempting certain airport obligations from the public sale requirement; providing for state payment of certain county debt obligations upon potential default and authorizing means for repayment by the county; extending sunset for self-executing special service district laws; authorizing special assessments for communications facilities; modifying authority to issue variable rate bonds; providing for replacement heating systems and related energy conservation measures in cities discontinuing district heating systems; making technical changes to description of area served by nonmetropolitan county economic development authorities; increasing authority for debt obligations for the financing of the metropolitan council's transit capital improvement program; altering qualifications for residential rental bonds; providing that the Uniform Commercial Code does not apply to certain government security interests; allowing certain cities to be eligible for replacement transit service; regulating 800 megahertz radio contract requirements; eliminating a limitation on the amount of certain grants; funding administration of Laws 2000, chapter 490, articles 4, 5, and 10; appropriating money and extending the availability of an appropriation; amending Minnesota Statutes 1998, sections 118A.05, subdivision 4; 360.036, subdivision 2; 428A.101; 429.021, subdivision 1; 474A.047, subdivision 1; and 475.78; Minnesota Statutes 1999 Supplement, sections 473.39, subdivision 1g; and 475.56; Laws 2000, chapter 484, article 1, section 4, subdivisions 3 and 5; proposing coding for new law in Minnesota Statutes, chapters 373; and 451; repealing Minnesota Statutes 1998, section 473.857, subdivision 4.

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

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Section 1. Minnesota Statutes 1998, section 118A.05, subdivision 4, is amended to read:

Subd. 4. **MINNESOTA JOINT POWERS INVESTMENT TRUST.** Government entities may enter into agreements or contracts for:

(1) shares of a Minnesota joint powers investment trust whose investments are restricted to securities described in this ~~subdivision, subdivision 2, section~~ and section 118A.04;

(2) units of a short-term investment fund established and administered pursuant to regulation 9 of the Office of the Comptroller of the Currency, in which investments are restricted to securities described in this section and section 118A.04;

(3) shares of an investment company which is registered under the Federal Investment Company Act of 1940 and which holds itself out as a money market fund meeting the conditions of rule 2a-7 of the Securities and Exchange Commission and is rated in one of the two highest rating categories for money market funds by at least one nationally recognized statistical rating organization; or

(4) shares of an investment company which is registered under the Federal Investment Company Act of 1940, and whose shares are registered under the Federal Securities Act of 1933, as long as the investment company's fund receives the highest credit rating and is rated in one of the two highest risk rating categories by at least one nationally recognized statistical rating organization and is invested in financial instruments with a final maturity no longer than 13 months.

Sec. 2. Minnesota Statutes 1998, section 360.036, subdivision 2, is amended to read:

Subd. 2. **ISSUANCE OF BONDS.** (a) Bonds to be issued by a municipality under sections 360.011 to 360.076, shall be authorized and issued in the manner and within the limitation prescribed by laws or the charter of the municipality for the issuance and authorization of bonds for public purposes generally, except as provided in paragraphs (b) and (c).

(b) No election is required to authorize the issuance of the bonds if:

(1) a board organized under section 360.042 recommends by a resolution adopted by a vote of not less than 60 percent of its members the issuance of bonds, and ~~(2)~~ the bonds are authorized by a resolution of the governing body of each of the municipalities acting jointly pursuant to section 360.042, adopted by a vote of not less than 60 percent of its members; or

(2) the bonds are being issued for the purpose of financing the costs of constructing, enlarging, or improving airports and other air navigation facilities; and

(i) the governing body estimates that passenger facility charges and other revenues pledged to the payment thereof will be at least 20 percent of the debt service payable on the bonds in any year;

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(ii) the project will be funded in part by a federal grant for airport development;
and

(iii) the principal amount of the bonds issued under this clause does not exceed 25 percent of the amount of the federal grant.

(c) If the bonds are general obligations of the municipality, the levy of taxes required by section 475.61 to pay principal and interest on the bonds is not included in computing or applying any levy limitation applicable to the municipality.

Sec. 3. [373.45] STATE PAYMENT OF DEBT OBLIGATION UPON POTENTIAL DEFAULT; REPAYMENT; STATE OBLIGATION NOT DEBT.

Subdivision 1. DEFINITIONS. (a) As used in this section, the following terms have the meanings given.

(b) "Authority" means the Minnesota public facilities authority.

(c) "Commissioner" means the commissioner of finance.

(d) "Debt obligation" means a general obligation bond issued by a county to provide funds for the construction of:

(1) jails;

(2) correctional facilities;

(3) law enforcement facilities;

(4) social services and human services facilities; or

(5) solid waste facilities.

Subd. 2. APPLICATION. (a) This section provides a state guarantee of the payment of principal and interest on debt obligations if:

(1) the obligations are issued after June 30, 2000;

(2) application to the public facilities authority is made before issuance; and

(3) the obligations are covered by an agreement meeting the requirements of subdivision 3.

(b) Applications to be covered by the provisions of this section must be made in a form and contain the information prescribed by the authority. Applications are subject to a fee of \$500 for the first bond issue requested by the county and \$250 for each bond issue thereafter.

(c) Application fees paid under this section must be deposited in a separate county bond guarantee account in the general fund. Money in the county bond guarantee account is appropriated to the authority for purposes of administering this section.

(d) Neither the authority nor the commissioner is required to promulgate administrative rules under this section and the procedures and requirements established by the authority or commissioner under this section are not subject to chapter 14.

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Subd. 3. AGREEMENT. (a) In order for specified debt obligations of a county to be covered by the provisions of this section, the county must enter an agreement with the authority obligating the county to be bound by the provisions of this section. This agreement must be in a form prescribed by the authority and contain any provisions required by the authority, including at least an obligation to:

(1) deposit with the paying agent three days before the date on which the payment is due an amount sufficient to make that payment;

(2) notify the authority, if the county will be unable to make all or a portion of the payment; and

(3) include a provision in the bond resolution and county's agreement with the paying agent for the debt obligation that requires the paying agent to inform the commissioner if it becomes aware of a default or potential default in the payment of principal or interest on that issue or if, on the day two business days before the date a payment is due on that issue, there are insufficient funds to make the payment on deposit with the paying agent. Funds invested in a refunding escrow account established under section 475.67 that are to become available to the paying agent on a principal or interest payment date are deemed to be on deposit with the paying agent three business days before the payment date.

(b) The provisions of an agreement under this subdivision are binding as to an issue as long as any debt obligation of the issue remains outstanding.

(c) This section is a contract with bondholders and may not be amended or repealed for the covered bonds so long as the covered bonds are outstanding.

Subd. 4. NOTIFICATIONS; PAYMENT; APPROPRIATION. (a) After receipt of a notice of a default or potential default in payment of principal or interest in debt obligations covered by this section or an agreement under this section, and after consultation with the county, the paying agent, and after verification of the accuracy of the information provided, the authority shall notify the commissioner of the potential default. The notice must include a final figure as to the amount due that the county will be unable to repay on the date due.

(b) Upon receipt of this notice from the authority, the commissioner shall issue a warrant and authorize the authority to pay to the paying agent for the debt obligation the specified amount on or before the date due. The amounts needed for the purposes of this subdivision are annually appropriated to the authority from the general fund.

Subd. 5. INTEREST ON STATE PAID AMOUNT. If the state has paid part or all of the principal or interest due on a county's debt obligation, the amount paid bears interest from the date paid by the state until the date of repayment. The interest rate is the state treasurer's invested cash rate as it is certified by the commissioner. Interest only accrues on the amounts paid and outstanding less the reduction in aid under subdivision 7 and other payments received from the county.

Subd. 6. PLEDGE OF COUNTY'S FULL FAITH AND CREDIT. If the state has paid part or all of the principal or interest due on a county's debt obligation, the

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county's pledge of its full faith and credit and unlimited taxing powers to repay the principal and interest due on those debt obligations becomes, without an election or the requirement of a further authorization, a pledge of the full faith and credit and unlimited taxing powers of the county to repay to the state the amount paid, with interest. Amounts paid by the state must be repaid in the order in which the state payments were made.

Subd. 7. AID REDUCTION FOR REPAYMENT. (a) Except as provided in paragraph (b), the commissioner may reduce, by the amount paid by the state under this section on behalf of the county, plus the interest due on the state payments, the following aids payable to the county:

(1) homestead and agricultural credit aid and disparity reduction aid payable under section 273.1398;

(2) county criminal justice aid payable under section 477A.0121; and

(3) family preservation aid payable under section 477A.0122.

The amount of any aid reduction reverts from the appropriate account to the state general fund.

(b) If, after review of the financial situation of the county, the authority advises the commissioner that a total reduction of the aids would cause an undue hardship on the county, the authority, with the approval of the commissioner, may establish a different schedule for reduction of aids to repay the state. The amount of aids to be reduced are decreased by any amounts repaid to the state by the county from other revenue sources.

Subd. 8. TAX LEVY FOR REPAYMENT. (a) With the approval of the authority, a county may levy in the year the state makes a payment under this section an amount up to the amount necessary to provide funds for the repayment of the amount paid by the state plus interest through the date of estimated repayment by the county. The proceeds of this levy may be used only for this purpose unless they exceed the amount actually due. Any excess must be used to repay other state payments made under this section or must be deposited in the debt redemption fund of the county. The amount of aids to be reduced to repay the state are decreased by the amount levied.

(b) If the state is not repaid in full for a payment made under this section by November 30 of the calendar year following the year in which the state makes the payment, the authority shall require the county to certify a property tax levy in an amount up to the amount necessary to provide funds for repayment of the amount paid by the state plus interest through the date of estimated repayment by the county. To prevent undue hardship, the authority may allow the county to certify the levy over a five-year period. The proceeds of the levy may be used only for this purpose unless they are in excess of the amount actually due, in which case the excess must be used to repay other state payments made under this section or must be deposited in the debt redemption fund of the county. If the authority orders the county to levy, the amount of aids reduced to repay the state are decreased by the amount levied.

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(c) A levy under this subdivision is an increase in the levy limits of the county for purposes of section 275.065, subdivision 6, and must be explained as a specific increase at the meeting required under that provision.

Subd. 9. MANDATORY PLAN; TECHNICAL ASSISTANCE. If the state makes payments on behalf of a county under this section or the county defaults in the payment of principal or interest on an outstanding debt obligation, it must submit a plan to the authority for approval specifying the measures it intends to implement to resolve the issues which led to its inability to make the payment and to prevent further defaults. If the authority determines that a county's plan is not adequate, the authority shall notify the county that the plan has been disapproved, the reasons for the disapproval, and that the state will not make future payments under this section for debt obligations of the affected county issued after the date specified in that notice until its plan is approved. The authority may also notify the county that until its plan is approved, aids due the county will be withheld after a date specified in the notice.

Subd. 10. CONTINUING DISCLOSURE AGREEMENTS. The authority may enter into written agreements or contracts relating to the continuing disclosure of information needed to facilitate the ability of counties to issue debt obligations according to federal securities laws, rules, and regulations, including securities and exchange commission rules and regulations, section 240.15c2-12. The agreements or contracts may be in any form the authority deems reasonable and in the state's best interests.

Sec. 4. Minnesota Statutes 1998, section 428A.101, is amended to read:

428A.101 SPECIAL SERVICE DISTRICT; SUNSET OF SELF-EXECUTING PROVISIONS.

The establishment of a new special service district after June 30, 2001, must be made pursuant to enabling legislation under Minnesota Statutes 1994, sections 428A.01 to 428A.10 2005, requires enactment of a special law authorizing the establishment.

Sec. 5. Minnesota Statutes 1998, section 429.021, subdivision 1, is amended to read:

Subdivision 1. **IMPROVEMENTS AUTHORIZED.** The council of a municipality shall have power to make the following improvements:

(1) To acquire, open, and widen any street, and to improve the same by constructing, reconstructing, and maintaining sidewalks, pavement, gutters, curbs, and vehicle parking strips of any material, or by grading, graveling, oiling, or otherwise improving the same, including the beautification thereof and including storm sewers or other street drainage and connections from sewer, water, or similar mains to curb lines.

(2) To acquire, develop, construct, reconstruct, extend, and maintain storm and sanitary sewers and systems, including outlets, holding areas and ponds, treatment plants, pumps, lift stations, service connections, and other appurtenances of a sewer system, within and without the corporate limits.

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(3) To construct, reconstruct, extend, and maintain steam heating mains.

(4) To install, replace, extend, and maintain street lights and street lighting systems and special lighting systems.

(5) To acquire, improve, construct, reconstruct, extend, and maintain water works systems, including mains, valves, hydrants, service connections, wells, pumps, reservoirs, tanks, treatment plants, and other appurtenances of a water works system, within and without the corporate limits.

(6) To acquire, improve and equip parks, open space areas, playgrounds, and recreational facilities within or without the corporate limits.

(7) To plant trees on streets and provide for their trimming, care, and removal.

(8) To abate nuisances and to drain swamps, marshes, and ponds on public or private property and to fill the same.

(9) To construct, reconstruct, extend, and maintain dikes and other flood control works.

(10) To construct, reconstruct, extend, and maintain retaining walls and area walls.

(11) To acquire, construct, reconstruct, improve, alter, extend, operate, maintain, and promote a pedestrian skyway system. Such improvement may be made upon a petition pursuant to section 429.031, subdivision 3.

(12) To acquire, construct, reconstruct, extend, operate, maintain, and promote underground pedestrian concourses.

(13) To acquire, construct, improve, alter, extend, operate, maintain, and promote public malls, plazas or courtyards.

(14) To construct, reconstruct, extend, and maintain district heating systems.

(15) To construct, reconstruct, alter, extend, operate, maintain, and promote fire protection systems in existing buildings, but only upon a petition pursuant to section 429.031, subdivision 3.

(16) To acquire, construct, reconstruct, improve, alter, extend, and maintain highway sound barriers.

(17) To improve, construct, reconstruct, extend, and maintain gas and electric distribution facilities owned by a municipal gas or electric utility.

(18) To improve, construct, extend, and maintain facilities for Internet access and other communications purposes, if the council finds that:

(i) the facilities are necessary to make available Internet access or other communications services that are not and will not be available through other providers or the private market in the reasonably foreseeable future; and

(ii) the service to be provided by the facilities will not compete with service provided by private entities.

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Sec. 6. [451.10] DISTRICT HEATING SYSTEM.

Subdivision 1. APPLICATION. Sections 451.10 to 451.17 apply to a city that:

(1) owns and operates a district heating system either directly by the city council or by a utility board or utility commission of the city; and

(2) has taken action under law or charter to discontinue the operation of the district heating system in whole or in part.

Subd. 2. SUPERSEDES OTHER LAW. Sections 451.10 to 451.17 apply to the cities described in subdivision 1 notwithstanding a contrary provision in a city charter or in any other law including section 451.09.

Subd. 3. SUPPLEMENTAL TO OTHER LAW. The powers granted by sections 451.10 to 451.17 are supplemental and additional to other powers granted by law or charter.

Sec. 7. [451.11] POLICY; PURPOSE.

Subdivision 1. FINDINGS. The legislature finds that it is in the public interest that cities owning and operating a district heating system that have determined to discontinue the system in whole or in part be authorized to establish and conduct a program to provide replacement heating and related equipment to the owners of property whose district heating service is discontinued. The legislature also finds that the cities should be authorized to adopt and implement programs to provide for the installation of energy conservation equipment and measures to enhance the efficient and economical use of energy in buildings and structures served by a district heating system and in which replacement heating systems are installed under sections 451.10 to 451.17.

Subd. 2. PUBLIC PURPOSE. The legislature further finds that expenditures made by cities for a purpose in sections 451.10 to 451.17 are expenditures for a public purpose.

Sec. 8. [451.12] DEFINITIONS.

Subdivision 1. APPLICATION. In sections 451.10 to 451.17 the definitions in this section apply.

Subd. 2. CITY. "City" means a city, however organized, acting through its city council or through a public utilities commission duly created by law or charter.

Subd. 3. REPLACEMENT HEATING SYSTEM IMPROVEMENT. "Replacement heating system improvement" means and includes furnaces, boilers, and similar heat generating and exchanging equipment together with related equipment, duct work, and control mechanisms that are installed to provide heating, ventilating, and air conditioning services in a building or structure whose district heating service has been discontinued by a city.

Subd. 4. ENERGY CONSERVATION IMPROVEMENT. (a) "Energy conservation improvement" means and includes, but is not limited to, the following devices,

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methods, and materials, if recommended by an energy audit approved in a program and having a maximum cost of \$20,000, that increase the efficiency of the use of energy in a building or structure:

- (1) insulation and ventilation;
- (2) storm windows, thermal windows, and storm doors;
- (3) caulking and weatherstripping;
- (4) heating system modifications; and
- (5) thermostats or lighting controls.

(b) The term does not include a device or method that creates, converts, or actively uses energy from renewable resources such as wind, solar, or biomass.

Subd. 5. PROGRAM. "Program" means a statement of goals, procedures, standards of eligibility, and methods of financing for the installation of heating replacement system improvements and energy conservation improvements.

Subd. 6. IMPROVEMENT. "Improvement" includes replacement heating system improvements and energy conservation improvements.

Sec. 9. [451.13] PROGRAM.

Subdivision 1. AFTER NOTICE AND HEARING. A program may be adopted by resolution of the city council of a city after reasonable notice and hearing provided for by the city council.

Subd. 2. ELEMENTS. The program must contain at least the following elements:

- (1) a description of the kinds of property eligible for assistance with heating replacement improvements and energy conservation improvements;
- (2) procedures for accomplishing the improvements by the city or private contractors;
- (3) methods of financing the installation of the heating replacement and energy conservation improvements; and
- (4) the administrative agency of the city responsible for conducting the program.

Subd. 3. DELEGATION. The city council may by resolution delegate the responsibility for the conduct of the program to a public utilities commission or public utilities board of the city.

Sec. 10. [451.14] INSTALLING THE IMPROVEMENTS.

Subdivision 1. METHODS. The program may provide for the methods of installing the improvements set out in this subdivision.

(a) The city may contract with one or more contractors to perform work and furnish materials for the improvements.

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(b) The owner of a building or structure eligible for an improvement may contract for the installation of the improvement, subject to approval by the city as provided in the program.

(c) The city may contract with a property owner for the installation of an improvement by the property owner, but no payment under section 451.15 may be made for the property owner's labor.

Subd. 2. INSPECTION AND CERTIFICATION. The program must provide a method by which a city official or employee may inspect and is to certify the completed installation of the improvement to ensure compliance with city codes and ordinances and other standards specified in the program.

Subd. 3. COMPETITIVE BIDS. Contracts entered into under subdivision 1, paragraph (a), are subject to competitive bidding requirements of law.

Sec. 11. [451.15] PAYMENTS; FINANCING.

Subdivision 1. FINANCING. The program may include one or more of the methods described in this section for financing the cost of the installation of improvements.

Subd. 2. CASH. The city may contract with a property owner for the payment in cash of the cost of the installation of the improvements upon completion of the installation of the improvements. The payment must be secured by:

(1) a deposit with the city of 90 percent of the contract price; or

(2) a written commitment from a bank or other financial institution approved in the program to lend the property owner the full amount of the contract price for payment to the city.

Subd. 3. PROMISSORY NOTE. The city may accept payment of the contract price by a promissory note from the property owner delivered at the time of entering into the contract payable at such times, not exceeding ten years, and in the amounts and at the interest rate specified in the program.

Subd. 4. LIEN AS SECURITY. The balance of payments due under subdivision 2 and the entire principal of and interest on a promissory note delivered under subdivision 3 are secured by a lien created by this subdivision on the real property on which the improvements are made. If payment is not made according to the terms of the program, or the note, the chief financial officer of the city may certify the entire amount so due to the county auditor for collection as other taxes are collected.

Subd. 5. SPECIAL ASSESSMENTS. The program may provide that at the request of the property owner the unpaid cost of the installation of an improvement is to be specially assessed against the real property on which the improvement is installed in the manner provided by section 429.101, except that:

(1) the adoption of an ordinance is not required; and

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(2) obligations issued to finance the improvements must mature not later than ten years from the date of their issuance.

Sec. 12. [451.16] FINANCING; OBLIGATIONS.

Subdivision 1. BONDS; OTHER OBLIGATIONS. In addition to the authority to issue obligations under section 429.101, a city may issue its bonds or other obligations to finance the cost of the installation of improvements as provided in this section.

Subd. 2. REVENUE OBLIGATIONS. A city may issue and sell its revenue obligations payable solely from the revenues derived or to be derived from assessments and payments from property owners under section 451.15, which revenues must be pledged to the payment of the obligations. Obligations issued under this subdivision are considered to be payable wholly from the income of a revenue producing convenience within the meaning of sections 475.51 and 475.58.

Subd. 3. GENERAL OBLIGATIONS. A city may issue and sell its general obligations under chapter 475, payable from the revenues and assessments derived or to be derived from property owners under section 451.15, which revenues must be pledged to the payment of the obligations. General obligations must not be issued unless the pledged revenues are estimated to equal at least 105 percent of the amount necessary to pay when due the principal of and interest on the obligations. Obligations issued under this subdivision are considered to be payable wholly from the income of a revenue producing convenience within the meaning of sections 475.51 and 475.58.

Sec. 13. [451.17] CITY OF VIRGINIA.

The city of Virginia is considered to have complied with section 451.09, notwithstanding section 451.09, subdivision 4.

Sec. 14. Minnesota Statutes 1999 Supplement, section 473.39, subdivision 1g, is amended to read:

Subd. 1g. **OBLIGATIONS; 2000-2002.** In addition to the authority in subdivisions 1a, 1b, 1c, 1d, and 1e, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding \$36,000,000 \$55,400,000, which may be used for capital expenditures, other than for construction, maintenance, or operation of light rail transit, as prescribed in the council's transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations. The funds must be proportionally spent on capital improvement projects as recommended by the regional transit capital evaluation committee.

Sec. 15. Minnesota Statutes 1998, section 474A.047, subdivision 1, is amended to read:

Subdivision 1. **ELIGIBILITY.** (a) An issuer may only use the proceeds from residential rental bonds if the proposed project meets one of the following:

(1) the proposed project is a single room occupancy project and all the units of the project will be occupied by individuals whose incomes at the time of their initial

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residency in the project are 50 percent or less of the greater of the statewide or county median income adjusted for household size as determined by the federal Department of Housing and Urban Development;

(2) the proposed project is a multifamily project where at least 75 percent of the units have two or more bedrooms and at least one-third of the 75 percent have three or more bedrooms; or

(3) the proposed project is a multifamily project that meets the following requirements:

(i) the proposed project is the rehabilitation of an existing ~~multifamily~~ building which meets the requirements for minimum rehabilitation expenditures in sections 42(e)(2) and 42(e)(3)(A) of the Internal Revenue Code;

(ii) the proposed project involves participation by the Minnesota housing finance agency or a local unit of government in the financing of the acquisition or rehabilitation of the project. For purposes of this subdivision, "participation" means an activity other than the issuance of the bonds; and

(iii) the proposed project must be occupied by individuals or families whose incomes at the time of their initial residency in the project meet the requirements of section 42(g) of the Internal Revenue Code.

(b) The maximum rent for a proposed single room occupancy unit under paragraph (a), clause (1), is 30 percent of the amount equal to 30 percent of the greater of the statewide or county median income for a one-member household as determined by the federal Department of Housing and Urban Development. The maximum rent for at least 75 percent of the units of a multifamily project under paragraph (a), clause (2), is 30 percent of the amount equal to 50 percent of the greater of the statewide or county median income as determined by the federal Department of Housing and Urban Development based on a household size with 1.5 persons per bedroom.

(c) The proceeds from residential rental bonds may be used for a project for which project-based federal rental assistance payments are made only if:

(1) the owner of the project enters into a binding agreement with the Minnesota housing finance agency under which the owner is obligated to extend any existing low-income affordability restrictions and any contract or agreement for rental assistance payments for the maximum term permitted, including any renewals thereof; and

(2) the Minnesota housing finance agency certifies that project reserves will be maintained at closing of the bond issue and budgeted in future years at the lesser of:

(i) the level described in Minnesota Rules, part 4900.0010, subpart 7, item A, subitem (2), effective May 1, 1997; or

(ii) the level of project reserves available prior to the bond issue, provided that additional money is available to accomplish repairs and replacements needed at the time of bond issue.

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Sec. 16. Minnesota Statutes 1999 Supplement, section 475.56, is amended to read:

475.56 INTEREST RATE.

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

(b) Any municipality issuing obligations under any law may sell original issue discount obligations having a stated principal amount in excess of the authorized amount and the sale price, provided that:

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

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

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

(c) Any obligation of an issue of obligations otherwise subject to section 475.55, subdivision 1, may bear interest at a rate varying periodically at the time or times and on the terms, including convertibility to a fixed rate of interest, determined by the governing body of the municipality, but the rate of interest for any period shall not exceed the any maximum rate of interest for the obligations determined in accordance with section 475.55, subdivision 1 established by law. For purposes of section 475.61, subdivisions 1 and 3, the interest payable on variable rate obligations for their term shall be determined as if their rate of interest is the maximum rate permitted for the obligations under section 475.55, subdivision 1, or the lesser of the maximum rate of interest payable on the obligations in accordance with their terms or the rate estimated for such purpose by the governing body, but if the interest rate is subsequently converted to a fixed rate the levy may be modified to provide at least five percent in excess of amounts necessary to pay principal of and interest at the fixed rate on the

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obligations when due. For purposes of computing debt service or interest pursuant to section 475.67, subdivision 12, interest throughout the term of bonds issued pursuant to this subdivision is deemed to accrue at the rate of interest first borne by the bonds. The provisions of this paragraph do not apply to general obligations issued by a statutory or home rule charter city with a population of less than 7,500, as defined in section 477A.011, subdivision 3, or to general obligations that are not rated A or better, or an equivalent subsequently established rating, by Standard and Poor's Corporation, Moody's Investors Service or other similar nationally recognized rating agency, except that any statutory or home rule charter city, regardless of population or bond rating, may issue variable rate obligations as a participant in a bond pooling program established by the league of Minnesota cities that meets this bond rating requirement.

Sec. 17. Minnesota Statutes 1998, section 475.78, is amended to read:

475.78 PERFECTION OF PLEDGE; SECURITY INTERESTS.

Neither filing nor possession is required to perfect the security interest created by any pledge or appropriation of revenues or funds of the municipality, including any of its investments, to the payment of bonds issued by the municipality. Notwithstanding any contrary provision of law, article 9 of the Uniform Commercial Code does not apply to security interests created by a municipality or the state, except security interests in equipment and fixtures.

Sec. 18. Laws 2000, chapter 484, article 1, section 4, subdivision 3, is amended to read:

Subd. 3. **COMMITTEE REPORT.** The committee shall issue its report within 90 days of its initial meeting. The committee may request one 60-day extension from the county board. The report must contain the committee's recommendation for the preferred organizational option for a county economic development service provider, including the distance of the radius of the extraterritorial parcel from the boundary of the city that may be controlled by each affected city in subdivision 5. ~~This extraterritorial parcel~~ The distance may not exceed two miles from the city boundary. The report must contain written findings on issues considered by the committee including, but not limited to, the following:

(1) identification of the current level of economic development, housing, and community development programs and services provided by existing agencies, any existing gaps in programs and services, and the capacity and ability of those agencies to expand their activities; and

(2) the recommended organizational option for providing needed economic development, housing, and community development services in the most efficient, effective manner.

Sec. 19. Laws 2000, chapter 484, article 1, section 4, subdivision 5, is amended to read:

Subd. 5. **AREA OF OPERATION.** The area of operation of a county economic development service provider created under this section shall include all cities within

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

a county that have adopted resolutions electing to participate. A city may adopt a resolution electing to withdraw participation. The withdrawal election may be made every fifth year following adoption of the resolution electing participation. The withdrawal election is effective on the anniversary date of the original resolution provided notice is given to the county economic development authority not less than 90 nor more than 180 days prior to that anniversary date. The city electing to withdraw retains any rights, obligations, and liabilities it obtained or incurred during its participation. Any city within the county shall have the option to adopt a resolution to prohibit the county economic development service provider created under this section from operating within its boundaries and (1) within an agreed upon urban service area, or (2) within the boundary distance approved in the committee report referenced in subdivision 3. If a city prohibits a county economic development service provider created under this section from operating within its boundaries, the city's property taxpayers shall not be subject to the property tax levied for the county economic development service provider.

Sec. 20. **APPROPRIATION AVAILABILITY EXTENDED.**

The appropriation in Laws 1995, chapter 220, section 19, subdivision 4, paragraph (g), clause (2), as amended by Laws 1996, chapter 407, section 50, is available until June 30, 2001.

Sec. 21. **REPLACEMENT TRANSIT SERVICE; ELIGIBILITY.**

(a) Notwithstanding the eligibility requirements in Minnesota Statutes, section 473.388, subdivision 2, the city of Minnetonka is eligible for the replacement service program under Minnesota Statutes, section 473.388, if the city first applies for assistance or exercises the local levy option under Minnesota Statutes, section 473.388, before June 30, 2003.

(b) Notwithstanding the eligibility requirements in Minnesota Statutes, section 473.388, subdivision 2, the city of Shorewood is eligible for the replacement service program under Minnesota Statutes, section 473.388, if the city first applies for assistance or exercises the local levy option under Minnesota Statutes, section 473.388, before June 30, 2003.

Sec. 22. **PUBLIC SAFETY RADIO SYSTEM CONTRACTS.**

Any contracts relating to an 800 megahertz trunked radio network for service shall be let for bid only on a competitive basis.

The trunked backbone network and 800 megahertz radios used on it must include at a minimum features that meet open standards of interoperability. The contracting government authority may not accept any feature enhancement that would interfere with or impede the interoperability of the network as a whole or with any radios regardless of manufacturer.

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Sec. 23. NO LOCAL APPROVAL; EFFECTIVE DATE.

Sections 6 to 13 do not require local approval as they fit within the exception in Minnesota Statutes, section 645.023, subdivision 1, clause (a). Sections 6 to 13 are effective the day after final enactment.

Sec. 24. APPLICATION.

Sections 14 and 25 apply in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 25. REPEALER.

Minnesota Statutes 1998, section 473.867, subdivision 4, is repealed.

Sec. 26. APPROPRIATION.

\$354,000 is appropriated from the general fund to the commissioner of revenue for fiscal year 2001 to administer the provisions of Laws 2000, chapter 490, articles 4, 5, and 10.

Sec. 27. EFFECTIVE DATE.

Sections 1, 22, and 25 are effective the day following final enactment. Section 3 is effective the day following final enactment and applies to bonds issued after a rating has been obtained for the program from a national rating agency. Section 20 is effective retroactively from December 31, 1999.

Presented to the governor May 19, 2000

Signed by the governor May 30, 2000, 2:11 p.m.

CHAPTER 494—H.F.No. 3642

An act relating to health; modifying provisions for application for and distribution of medical education funds; amending Minnesota Statutes 1999 Supplement, section 62J.692, subdivisions 1, 3, and 4.

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

Section 1. Minnesota Statutes 1999 Supplement, section 62J.692, subdivision 1, is amended to read:

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

(a) "Accredited clinical training" means the clinical training provided by a medical education program that is accredited through an organization recognized by the department of education ~~or~~ the health care financing administration as the official accrediting body for that program, or another national body who reviews the accrediting organizations for multiple disciplines and whose standards for recognizing accrediting organizations are reviewed and approved by the commissioner of health in

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