Be it enacted by the Legislature of the State of Minnesota:

Section 1. **Olmsted county; incidental costs and expenses.** In addition to the amount authorized by Minnesota Statutes 1961, Section 375.16, the county board of Olmsted county may annually appropriate from the county revenue fund a sum not exceeding $500 as a contingent fund for use by the chairman of the county board at his discretion to pay for incidental costs and expenses incurred in expediting the business of the county of Olmsted. The fund shall be under the exclusive control of the chairman of the county board, subject to post audit by the county board.

Sec. 2. This act takes effect when approved by the county board of Olmsted county and upon compliance with Minnesota Statutes, Section 645.021.

Approved May 13, 1965.

CHAPTER 434—S. F. No. 1094

An act relating to vacancies on boards of independent school districts; amending Minnesota Statutes 1961, Section 123.33, Subdivision 4.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Minnesota Statutes 1961, Section 123.33, Subdivision 4, is amended to read:

Subd. 4. **Independent school districts; boards; vacancies.** Any other vacancy in a board shall be filled by the board at any regular or special meeting thereof. ~~until such vacancy can be filled by election at the next annual meeting or election.~~ Such appointment shall be evidenced by a resolution entered in the minutes~~.~~ *and shall continue until July 1 next following such appointment.* All elections to fill vacancies shall be for the unexpired term.

Approved May 13, 1965.

CHAPTER 435—S. F. No. 1201

An act relating to the maturities and redemption of obligations evidencing municipal indebtedness; authorizing the establishment of

Changes or additions indicated by *italics,* **deletions by** ~~strikeout.~~

serial maturities for multiple issues and term maturities for special obligations and the provision of funds for the redemption of obligations before maturity and before the earliest redemption date, from proceeds of refunding obligations and other funds placed in escrow for this purpose; amending Minnesota Statutes 1961, Section 475.54, and repealing Laws 1963, Chapter 825.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Minnesota Statutes 1961, Section 475.54, is amended to read:

475.54. **Public indebtedness; maturities; redemption.** *Subdivision 1. Except as provided in subdivision 3,* all obligations authorized under this chapter shall mature serially in annual or semiannual installments. The first installment shall mature not later than three years from the date of the obligations and the last installment shall mature not more than 30 years from such date. No amount of principal of any obligations payable in any calendar year shall exceed five times the amount of the smallest amount payable in any preceding calendar year ending three years or more after date of issue~~, provided that in the case of the issuance of bonds by a school district this requirement shall be applied to the aggregate maturities of the bonds to be issued and of all other bonds of the district outstanding at the time of such issuance, considered as a single issue, and the first installment of the additional bonds need not mature within three years from their date of issue if the aggregate maturities of all the bonds conform to the provisions of this section~~.

Subd. 2. A serial maturity schedule conforming to subdivision 1 may be established for each new issue of obligations of a municipality, or the governing body may in its discretion adjust such schedule so that the combined maturities of the new issue and any other designated issue or issues will conform to subdivision 1, provided that all such issues are general obligations or all are payable from a common fund.

Subd. 3. Obligations payable solely from a special fund, for payment of which the full faith and credit of the issuer is not pledged, may mature at any time or times within 30 years from date of issue, if the receipts pledged to the fund are estimated by the governing body to be sufficient and are irrevocably appropriated first to pay annual or semiannual interest on all obligations payable from the fund and to provide such reserve as may be agreed upon for the security of interest payments, and then to retire a specified portion of the principal in each year according to a schedule of redemption and prepayment which conforms to the requirements for the maturity schedule of other obligations in subdivision 1.

Changes or additions indicated by *italics*, deletions by ~~strikeout.~~

Subd. 4. Any obligation may be issued reserving the right of redemption and payment thereof prior to maturity, at par and accrued interest or at such premium and at such time or times and upon such notice as shall be determined by the governing body. When any such obligation has been validly called for redemption and the principal thereof and all interest thereon to the date of redemption have been paid or deposited with the paying agent, interest thereon shall cease.

Subd. 5. Obligations and interest thereon may be refunded if and when and to the extent that for any reason the taxes or special assessments, revenues, or other funds appropriated for their payment are not sufficient to pay all principal and interest due or about to become due thereon. Obligations but not interest thereon may be refunded before maturity, if consistent with covenants made with the holders thereof, when determined by the governing body to be necessary or desirable for the reduction of interest cost to the municipality or for the extension or adjustment of the maturities in relation to the resources available for their payment, or, in the case of obligations payable solely from a special fund, for the more advantageous sale of additional obligations payable from the same fund. No general obligations, for which the full faith and credit of the issuer is pledged, shall be issued to refund special obligations previously issued for any purpose, payable solely from a special fund, unless such issuance is authorized by such election, hearing, petition, resolution, or other procedure as would have been required as a condition precedent to the original issuance of general obligations for the same purpose.

Subd. 6. Refunding obligations shall not be issued and sold more than six months before the earliest date on which all obligations to be refunded thereby will have matured or become subject to call for redemption in accordance with their terms, unless the actions and conditions described in the following subdivisions of this section are taken or exist at or before the time when the refunding obligations are delivered to the purchasers.

Subd. 7. The proceeds of the refunding obligations shall be deposited, together with any other funds available and appropriated by the governing body for the purpose, in escrow with a suitable banking institution within or without the state, whose deposits are insured by the Federal Deposit Insurance Corporation, and whose combined capital and surplus is not less than $500,000.

Subd. 8. The funds so deposited shall be invested in securities maturing or callable at the option of the holder on such dates and bearing interest at such rates as shall be required to provide funds sufficient, with any cash retained in the escrow account, to pay when *due the interest to accrue on each obligation of the issue refunded to its maturity or, if prepayable, to an earlier date on which it may be called for redemption, and to pay the principal amount of each such obligation at maturity or, if prepayable, at such earlier redemption date, and to pay any premium required for redemption on that date; and the governing body shall irrevocably appropriate for these purposes the escrow account and all payments of principal and interest on the securities deposited therein, provided that it may direct payment, from funds in the escrow account in excess of the amounts from time to time needed for the foregoing purposes, of the reasonable compensation of the banks acting as escrow agent and as paying agent or agents for the refunded obligations.*

Subd. 9. Notice of the call of all prepayable obligations of each issue refunded shall be given in accordance with their terms, and shall be published in a daily or weekly periodical published in a Minnesota city of the first class, which circulates throughout the state and furnishes financial news as a part of its service. Each prepayable obligation of the issue refunded shall be called for redemption on the earliest date on which, according to its terms, it may be prepaid from the proceeds of refunding obligations or from such other funds, if any, as are appropriated for such prepayment, and shall not subsequently be called for redemption on any date earlier than that designated in the notice, unless such call is required by the terms of the refunded bonds to be made from surplus funds subsequently becoming available.

Subd. 10. Securities purchased for the escrow account shall be limited to general obligations of the United States, securities whose principal and interest payments are guaranteed by the United States, and securities issued by the following agencies of the United States: Banks for Cooperatives, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Land Banks, and the Federal National Mortgage Association.

Subd. 11. The municipality shall enter into an agreement with the banking institution acting as escrow agent under which the agent shall acknowledge receipt of the cash and securities and their sufficiency to comply with the requirements of this section, and shall agree to hold them, and all money received in payment of principal and interest on the securities, in a special trust account, and to remit from this account to each paying agent for the refunded obligations sufficient funds to pay the principal and interest due thereon at each maturity, interest payment date, and redemption date. The agent may be directed to reinvest the balance held in the account from time to time in other securities of the kinds authorized in this section, maturing at the times and in the amounts required to meet all payments of principal and interest when due on the refunded obligations, *which securities may be purchased from its own investment department at prices not higher than those at which similar securities are currently being sold by it to others.*

Subd. 12. The escrow agent shall be directed to cause notice of the call of the refunded obligations which are to be prepaid to be republished not more than 90 nor less than 45 days before the date fixed for their redemption, in the manner provided in subdivision 9; but failure to republish shall not affect the validity of the call for redemption.

Subd. 13. When advance refunding obligations have been issued pursuant to subdivisions 6 to 12, they shall not be refunded by the issuance of similar advance refunding obligations pursuant to these subdivisions until and unless all of the original obligations refunded have been actually retired by payment or by deposit at their respective maturities or redemption dates of sufficient funds.

Subd. 14. In the refunding of general obligations, for which the full faith and credit of the issuing municipality has been pledged, the following additional conditions shall be observed: No refunding obligations shall be issued and sold more than ten years before the date on which all general obligations of the issue to be refunded will have matured or are called for redemption in accordance with their terms. No refunding obligations shall be issued and sold more than six months before said date, unless the average annual net interest rate of the refunding obligations, computed to their stated maturity dates, is lower by at least one-fourth of one percent per annum than the average annual net interest rate of the general obligations refunded, computed to their stated maturity dates; provided that in computing the average annual net interest rate of the refunding obligations, the expenses of the refunding shall be added to the dollar amount of interest on the refunding obligations. Expenses of the refunding include the amount, if any, in excess of the proceeds of the refunding obligations, which is required to be deposited in escrow to provide cash and purchase securities sufficient to retire the refunded obligations in accordance with subdivision 7; charges of the escrow agent and of the paying agent for the refunding obligations; and expenses of printing and publications and of fiscal, legal, or other professional service necessarily incurred in the issuance of the refunding obligations.

Sec. 2. *Laws 1963, Chapter 825, is repealed.*

Sec. 3. *This act shall become effective on January 1, 1966.*

Approved May 13, 1965.
