

## CHAPTER 475

### PUBLIC INDEBTEDNESS

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#### 475.52 BOND ISSUES; PURPOSES.

*[For text of subds 1 and 2, see M.S.1984]*

Subd. 3. **Counties.** Any county may issue bonds for the acquisition or betterment of courthouses, jails, morgues, libraries, and hospitals, for roads and bridges within the county or bordering thereon and for road equipment and machinery and for ambulances and related equipment, except that the power of counties to issue bonds in connection with a library shall not exist in Hennepin county.

*[For text of subds 4 and 5, see M.S.1984]*

Subd. 6. **Certain purposes.** Any municipality may issue bonds for paying judgments against it; for refunding outstanding bonds; for funding floating indebtedness; or for funding all or part of the municipality's current and future unfunded liability for a pension or retirement fund or plan referred to in section 356.20, subdivision 2, as those liabilities are most recently computed pursuant to sections 356.215 and 356.216 by purchasing one or more insurance policies or annuity contracts to pay all or a specified part of the liability within the period required by law. The board of trustees or directors of a pension fund or relief association referred to in section 69.77 or chapter 422A must consent and must be a party to any contract made under this section with respect to the fund held by it for the benefit of and in trust for its members.

**History:** 1985 c 109 s 15; 1Sp1985 c 14 art 8 s 49

#### 475.54 MATURITIES; REDEMPTION.

Subdivision 1. Except as provided in subdivision 3 or 5a, or as expressly authorized in another law, all obligations of each issue shall mature or be subject to mandatory sinking fund redemption in installments, the first not later than three years and the last not later than 30 years from the date of the issue. No amount of principal of the issue 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 the issue date.

*[For text of subds 2 to 4, see M.S.1984]*

Subd. 5a. Any obligation may be issued giving its owner the right to tender, or the municipality to demand tender of, the obligation to the municipality or another person designated by it, for purchase at a specified time or times, if the municipality has first entered into an agreement with a suitable financial institution obligating the financial institution to provide funds on a timely basis for purchase of bonds tendered. The obligation shall not be deemed to mature on any tender date, within the meaning of subdivision 1, and the purchase of a tendered obligation shall not be deemed a payment or discharge of the obligation by the municipality. Obligations tendered for purchase may be remarketed by or on behalf of the

municipality or any other purchaser. The municipality may enter into agreements deemed appropriate to provide for the purchase and remarketing of tendered obligations, including provisions under which undelivered obligations may be deemed tendered for purchase and new obligations may be substituted for them, provisions for the payment of charges of tender agents, remarketing agents, and financial institutions extending lines of credit or letters of credit assuring repurchase, and for reimbursement of advances under letters of credit, which charges and reimbursements may be paid from the proceeds of the obligations or from tax and other revenues appropriated for the payment and security of the obligations, and similar or related provisions.

**History:** *1Sp1985 c 14 art 8 s 50,51*

#### **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 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 maximum rate of interest for the obligations determined in accordance with section 475.55, subdivision 1. 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 maximum rate of interest payable on the obligations in accordance with their terms, 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 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 obligations issued by a statutory or home rule charter city with a population of less than 10,000, as defined in section 477A.011, subdivision 3, or to 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.

**History:** *1Sp1985 c 14 art 8 s 52*

#### **475.58 OBLIGATIONS; ELECTIONS TO DETERMINE ISSUE.**

Subdivision 1. **Approval by majority of electors; exceptions.** Obligations authorized by law or charter may be issued by any municipality upon obtaining the approval of a majority of the electors voting on the question of issuing the obligations, but an election shall not be required to authorize obligations issued:

(1) to pay any unpaid judgment against the municipality;

(2) for refunding obligations;

(3) for an improvement, which obligation is payable wholly or partly from the proceeds of special assessments levied upon property specially benefited by the improvement, or of taxes levied upon the increased value of property within a district for the development of which the improvement is undertaken, including obligations which are the general obligations of the municipality, if the municipality is entitled to reimbursement in whole or in part from the proceeds of such special assessments or taxes and not less than 20 percent of the cost of the improvement is to be assessed against benefited property or is estimated to be received from such taxes within the district;

(4) payable wholly from the income of revenue producing conveniences;

(5) under the provisions of a home rule charter which permits the issuance of obligations of the municipality without election;

(6) under the provisions of a law which permits the issuance of obligations of a municipality without an election; and

(7) to fund pension or retirement fund liabilities pursuant to section 475.52, subdivision 6.

*[For text of subds 1a and 2, see M.S.1984]*

**History:** *1Sp1985 c 14 art 8 s 53*

#### **475.60 SALE OF BONDS.**

*[For text of subd 1, see M.S.1984]*

Subd. 2. **Requirements waived.** The requirements as to public sale shall not apply to:

(1) obligations issued under the provisions of a home rule charter or of a law specifically authorizing a different method of sale, or authorizing them to be issued in such manner or on such terms and conditions as the governing body may determine;

(2) obligations sold by an issuer in an amount not exceeding the total sum of \$300,000 in any three-month period;

(3) obligations issued by a governing body other than a school board in anticipation of the collection of taxes or other revenues appropriated for expenditure in a single year, if sold in accordance with the most favorable of two or more proposals solicited privately;

(4) obligations sold to any board, department, or agency of the United States of America or of the state of Minnesota, in accordance with rules or regulations promulgated by such board, department, or agency; and

(5) obligations issued to fund pension and retirement fund liabilities under section 475.52, subdivision 6, obligations issued with tender options under section 475.54, subdivision 5a, crossover refunding obligations referred to in section 475.67, subdivision 13, and any issue of obligations comprised in whole or in part of obligations bearing interest at a rate or rates which vary periodically referred to in section 475.56.

*[For text of subds 3 to 7, see M.S.1984]*

**History:** *1Sp1985 c 14 art 8 s 54*

#### **475.66 DEBT SERVICE FUND.**

Subdivision 1. All debt service funds shall be deposited and secured as provided in chapter 118, except for amounts invested as authorized in this section, and may be deposited in interest bearing accounts, and such deposits may be evidenced by certificates of deposit with fixed maturities. Sufficient cash for payment of principal, interest, and redemption premiums when due with respect to the obligations for which any debt service fund is created shall be provided by crediting to the fund the collections of tax, special assessment, or other revenues appropriated for that purpose, and depositing all such receipts in a depository bank or banks duly qualified according to law or investing and reinvesting such receipts in securities authorized in this section. Time deposits shall be withdrawable and certificates of deposit and investments shall mature and shall bear interest payable at times and in amounts which, in the judgment of the governing body or its treasurer or other officer or committee to which it has delegated investment decisions, will provide cash at the times and in the amounts required for the purposes of the debt service fund, provided however, that the governing body may authorize the purchase of longer term investments subject to an agreement to repurchase such investments at times and prices sufficient to yield the amounts estimated to be so required. Repurchase agreements may be entered into with a bank qualified as depository of money held in the debt service fund, or with any national or state bank in the United States which is a member of the federal reserve system and whose combined capital and surplus equals or exceeds \$10,000,000, or a primary reporting dealer in United States government securities to the federal reserve bank of New York.

*[For text of subd 2, see M.S.1984]*

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,

(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 securities described in the preceding clause and repurchase agreements fully collateralized by those securities, if the 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 a general obligation of the state of Minnesota or any of its municipalities,

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

(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.

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.

*[For text of subd 4, see M.S.1984]*

**History:** 1985 c 187 s 2; 1985 c 239 s 3,4

#### **475.67 REFUNDING BONDS AND OTHER OBLIGATIONS; VALIDITY; PROCEDURE.**

*[For text of subds 1 to 7, see M.S.1984]*

Subd. 8. Securities purchased for the escrow account shall be limited to:

(a) 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; or

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

*[For text of subds 9 to 12, see M.S.1984]*

Subd. 13. Crossover refunding obligations may be issued by a municipality without regard to the limitations in subdivisions 4 to 10. The proceeds of crossover refunding obligations, less any proceeds applied to payment of the costs of their issuance, shall be deposited in a debt service fund irrevocably appropriated to the payment of principal of and interest on the refunding obligations until the date the proceeds are applied to payment of the obligations to be refunded. The debt service fund shall be maintained as an escrow account with a suitable financial institution within or without the state and amounts in it shall be invested in securities described in subdivision 8. Excess proceeds, if any, of the tax levy pursuant to section 475.61, subdivision 1, made with respect to the obligations to be refunded, and any other available amounts, may be deposited in the escrow account. In the resolution authorizing the issuance of crossover refunding obligations, the governing body may pledge to their payment any source of payment of the obligations to be refunded. Subdivisions 11 and 12 shall not apply to any crossover refunding obligations, or the obligations to be refunded. Subject to section 475.61, subdivision 3, in the case of general obligation bonds, taxes shall be levied pursuant to section 475.61 and appropriated to the debt service fund in the amounts needed, together with estimated investment income of the debt service fund and any other revenues available upon discharge of the obligations refunded, to pay when due the principal of and interest on the refunding obligations. The levy so imposed may be reduced by earnings to be received from investments on hand in the debt service fund to the extent the applicable recording officer certifies to the county auditor that the earnings are

expected to be received in amounts and at such times as to be sufficient, together with the remaining levy, to satisfy the purpose of the levy requirements under section 475.61.

**History:** *1Sp1985 c 14 art 8 s 55,56*

#### **475.754 DISASTERS OR PUBLIC EMERGENCIES, CERTIFICATES OF INDEBTEDNESS.**

If in any fiscal year the receipts from taxes or other sources are insufficient to meet the expenses incurred or to be incurred in said year by any city however organized, county or town by reason of any natural disaster or other public emergency requiring the making of extraordinary expenditures, the governing body of any such city, county or town may authorize the sale of certificates of indebtedness to mature within three years and to bear interest at a rate not to exceed the amount prescribed in this chapter. The certificates may be issued with or without advertising for bids on such terms and conditions as the governing body may determine and shall be in such form as the state auditor in cooperation with the commissioner of commerce shall prescribe. All certificates and interest thereon shall be payable from taxes levied within existing limitations or from other available revenue. Certificates of indebtedness issued under the provisions of this section shall not be considered bonded indebtedness for the purposes of section 275.50, subdivision 5, clause (h). The certificates shall not be included in the net debt of the issuing city, county or town.

**History:** *1Sp1985 c 14 art 4 s 94*

#### **475.76 REVERSE REPURCHASE AGREEMENTS.**

Subdivision 1. A reverse repurchase agreement may be entered into by a municipality, subject to the provisions of this section, only with a bank qualified as depository of funds of the municipality, or with any national or state bank in the United States which is a member of the Federal Reserve System and whose combined capital and surplus equals or exceeds \$10,000,000, or with a primary reporting dealer in United States government securities to the federal reserve bank of New York.

*[For text of subs 2 to 4, see M.S.1984]*

**History:** *1985 c 239 s 5*