

CHAPTER 475

PUBLIC INDEBTEDNESS

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475.51 DEFINITIONS.

[For text of subds 1 to 4, see M.S.1988]

Subd. 5. “Net tax capacity” means the latest valuation for purposes of taxation, as finally equalized, of all property taxable within the municipality.

[For text of subds 6 to 12, see M.S.1988]

Subd. 13. **Other governmental unit.** “Other governmental unit” means any public corporation, authority, governmental unit, or other political subdivision of the state of Minnesota that is not a municipality.

Subd. 14. **Bond reinvestment program.** “Bond reinvestment program” means a program under which a municipality, either directly or through an agent employed for the purpose, offers and sells its obligations to the holders of other obligations of the municipality. These offers and sales are directed at the reinvestment in new obligations of funds derived from maturing principal and interest and may also include offers and sales of additional newly issued obligations in addition to the reinvestment of principal and interest paid or to be paid on outstanding obligations and provision for the temporary investment of funds received for the purchase of new obligations in tax-exempt securities pending the issuance of the new obligations.

History: 1989 c 329 art 13 s 20; 1989 c 355 s 15,16

475.53 LIMIT ON NET DEBT.

Subdivision 1. **Generally.** Except as otherwise provided in sections 475.51 to 475.75, no municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of two percent of the market value of taxable property in the municipality.

Subd. 3. **Cities first class.** Unless its charter permits a greater net debt a city of the first class may not incur a net debt in excess of two percent of the market value of all taxable property therein. If the charter of the city permits a net debt of the city in excess of two percent of its valuation, it may not incur a net debt in excess of 3-2/3 percent of the market value of the taxable property therein.

The county auditor, at the time of preparing the tax list of the city, shall compile a statement setting forth the total net tax capacity and the total market value of each class of taxable property in such city for such year.

Subd. 4. **School districts.** Except as otherwise provided by law, no school district shall be subject to a net debt in excess of ten percent of the actual market value of all taxable property situated within its corporate limits, as computed in accordance with this subdivision. The county auditor of each county containing taxable real or personal property situated within any school district shall certify to the district upon request the market value of all such property. Whenever the commissioner of revenue, in accordance with section 124.2131, subdivision 1, has determined that the net tax capacity of any district furnished by county auditors is not based upon the market value of taxable property in the district, the commissioner of revenue shall certify to the district upon request the ratio most recently ascertained to exist between such value and the actual

market value of property within the district. The actual market value of property within a district, on which its debt limit under this subdivision is based, is (a) the value certified by the county auditors, or (b) this value divided by the ratio certified by the commissioner of revenue, whichever results in a higher value.

Subd. 5. Certain independent school districts. No independent school district located wholly or partly within a city of the first class shall issue any obligations unless first authorized by a two-thirds vote of the governing body of such city. No such school district shall issue obligations running more than two years, whenever the aggregate of the outstanding obligations of the district equals or exceeds 0.7 percent of the market value of the taxable property within the school district.

[For text of subd 6, see M.S.1988]

Subd. 7. Adjustment of debt limits. If the amount of debt a municipality may incur is limited by special law or city charter to a stated percentage or proportion of assessed value, the limit must be calculated as a percentage or proportion of tax capacity. The percentage or proportion provided in the special law or charter provision must be multiplied by 8.2 to determine the applicable percentage or proportion of gross tax capacity and must be multiplied by 10.2 to determine the applicable percentage or proportion of net tax capacity.

History: 1989 c 1 s 7-9; 1989 c 277 art 2 s 65; 1989 c 329 art 13 s 20

475.54 MATURITIES; REDEMPTION.

[For text of subds 1 to 3, see M.S.1988]

Subd. 4. Redemption. 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 as shall be determined by the governing body. Notice of the call of any prepayable obligation shall be published in a daily or weekly periodical published in a Minnesota city of the first class, or its metropolitan area, which circulates throughout the state and furnishes financial news as a part of its service; provided that published notice of the call need not be given if the obligation is in registered form and notice has been mailed to the registered holder of the obligation. When any such obligation has been validly called for redemption in accordance with its terms, 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; provided that no obligation issued subsequent to July 1, 1967, shall be deemed validly called for redemption unless the notice herein required has been published or so mailed prior to the date fixed for its redemption. If actual notice of the call has been given through a different means of communication, the holder of an obligation may waive published or mailed notice.

[For text of subd 5a, see M.S.1988]

Subd. 6a. Foreign currency obligations. Any obligation issued as part of a series in a principal amount of \$25,000,000 or more may be payable in currency other than currency of the United States if at the time of issue of the obligation the municipality enters into an agreement with a bank or dealer described in section 475.66, subdivision 1, that provides for payments to the municipality in the foreign currency at the times and in the amounts necessary to pay principal and interest on the obligations when due and payable in the foreign currency and corresponding payments by the municipality in United States currency of a determinate amount or amounts and at the times the agreement specifies. For purposes of chapter 475, the outstanding amount of the municipality's obligations payable in a foreign currency is the principal component of all remaining payments to be made by the municipality in United States currency under the agreement and the amount or rate of interest on the obligations is the interest component of the payments.

[For text of subds 15 to 17, see M.S.1988]

History: 1989 c 355 s 17,18

475.55 EXECUTION; NEGOTIABILITY; INTEREST RATES.

[For text of subds 1 to 4, see M.S.1988]

Subd. 6. **Registration data private.** All information contained in any register maintained by a municipality or by a corporate registrar with respect to the ownership of municipal obligations is nonpublic data as defined in section 13.02, subdivision 9, or private data on individuals as defined in section 13.02, subdivision 12. The information is not public and is accessible only to the individual or entity that is the subject of it, except if disclosure:

- (1) is necessary for the performance of the duties of the municipality or the registrar;
- (2) is requested by an authorized representative of the state commissioner of revenue or attorney general or of the commissioner of internal revenue of the United States for the purpose of determining the applicability of a tax;
- (3) is required under section 13.03, subdivision 4; or
- (4) is requested at any time by the corporate trust department of a bank or trust company acting as a tender agent pursuant to documents executed at the time of issuance of the obligations to purchase obligations described in section 475.54, subdivision 5a, or obligations to which a tender option has been attached in connection with the performance of such person's duties as tender agent, or purchaser of the obligations.

A municipality or its agent may use the information in a register for purposes of offering obligations under a bond reinvestment program.

[For text of subd 7, see M.S.1988]

Subd. 8. **Bond reinvestment programs.** In connection with a bond reinvestment program, the governing body may by resolution delegate to any appropriate officer of the municipality authority to establish from time to time the interest rate or rates, subject to limitations imposed by law, on such obligations and other terms of obligations issued under a bond reinvestment program. Obligations issued under a bond reinvestment program may be in any denomination as determined by the governing body or an officer acting pursuant to delegation from the governing body.

History: 1989 c 355 s 19,20

475.58 OBLIGATIONS; ELECTIONS TO DETERMINE ISSUE.

[For text of subds 1 and 1a, see M.S.1988]

Subd. 2. **Funding, refunding.** Any city, town or school district whose outstanding gross debt, including all items referred to in section 475.51, subdivision 4, exceed in amount 6-2/3 percent of its net tax capacity may issue bonds under this subdivision for the purpose of funding or refunding such indebtedness or any part thereof. A list of the items of indebtedness to be funded or refunded shall be made by the recording officer and treasurer and filed in the office of the recording officer. The initial resolution of the governing body shall refer to this subdivision as authority for the issue, state the amount of bonds to be issued and refer to the list of indebtedness to be funded or refunded. This resolution shall be published once each week for two successive weeks in a legal newspaper published in the municipality or if there be no such newspaper, in a legal newspaper published in the county seat. Such bonds may be issued without the submission of the question of their issue to the electors unless within ten days after the second publication of the resolution a petition requesting such election signed by ten or more voters who are taxpayers of the municipality, shall be filed with the recording officer. In event such petition is filed, no bonds shall be issued hereunder unless authorized by a majority of the electors voting on the question.

History: 1989 c 329 art 13 s 20

475.60 SALE OF BONDS.

Subdivision 1. **Advertisement.** All obligations shall be negotiated and sold by the governing body, except when authority therefor is delegated by the governing body or by the charter of the municipality to a board, department, or officers of the municipality. Except as provided in section 475.56, obligations shall be sold at not less than par value plus accrued interest to date of delivery. Except as provided in subdivision 2 all obligations shall be sold at public sale after notice given at least ten days in advance by publication in a legal newspaper having general circulation in the municipality and ten days in advance by publication in a daily or weekly periodical published in a Minnesota city of the first class, or its metropolitan area, which circulates throughout the state and furnishes financial news as a part of its service.

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 \$1,200,000 in any 12-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;

(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;

(6) obligations to be issued for a purpose, in a manner, and upon terms and conditions authorized by law, if the governing body of the municipality, on the advice of bond counsel or special tax counsel, determines that interest on the obligations cannot be represented to be excluded from gross income for purposes of federal income taxation;

(7) obligations issued in the form of an installment purchase contract, lease purchase agreement, or other similar agreement; and

(8) obligations sold under a bond reinvestment program.

Subd. 3. **Published notice.** Published notice, where required, shall specify the maximum principal amount of the obligations, the place of receipt and consideration of bids and such other details as to the obligations and terms of sale as the governing body deems suitable. The published notice shall either specify the date and time for receipt of bids or provide that the bids will be received at a date and time not less than ten nor more than 60 days after the date of publication. If the published notice does not state the specific date or amount for the sale, it shall specify the manner in which notice of the date or amount of the sale will be given to prospective bidders. Notification of prospective bidders shall be given by electronic data transmission or other form of communication common to the municipal bond trade at least four days (omitting Saturdays, Sundays, and legal holidays) before the date for receipt of bids. If within five days after the date of publication a prospective bidder requests in writing to be notified by mail, the municipality shall do so. Failure to give the notice as described in the preceding sentence to a bidder shall not affect the validity of the sale or of the obligations. The governing body may employ an agent to receive and open the bids at any place within or outside the corporate limits of the municipality, in the presence of an officer of the municipality or the officer's designee, but the obligations shall not

be sold except by action of the governing body or authorized officers of the municipality after communication of the bids to them. Additional notice may be given for such time and in such manner as the governing body deems suitable. At the time and place so fixed, the bids shall be opened and the offer complying with the terms of sale and deemed most favorable shall be accepted, but the governing body may reject any and all such offers, in which event, or if no offers have been received, it may award the obligations to any person who within 30 days thereafter presents an offer complying with the terms of sale and deemed more favorable than any received previously, or upon like notice the governing body may invite other bids upon the same or different terms and conditions, except that if the original published notice does not state the specific date or amount for the sale and if the material terms and conditions of the sale remain the same, except for the date and amount, notice of the date or amount may be given in the manner provided above.

[For text of subs 4 to 7, see M.S.1988]

History: 1989 c 355 s 21-23

475.61 TAX LEVIES.

[For text of subd 1, see M.S.1988]

Subd. 2. The recording officer of the municipality shall file in the office of the county auditor of each county in which any part of the municipality is located a certified copy of the resolution, together with full information regarding the obligations for which the tax is levied. No further action by the municipality is required to authorize the extension, assessment and collection of the tax, but the municipality's liability on the obligations is not limited thereto and its governing body shall levy and cause to be extended, assessed and collected any additional taxes found necessary for full payment of the principal and interest. The county auditor shall forthwith certify to the municipality that the obligations have been entered in the register required by sections 475.51 to 475.75 and that the tax levy required by sections 475.51 to 475.75 has been made. The auditor shall annually assess and extend upon the tax rolls the amount specified for such year in the resolution, unless the amount has been reduced as authorized below or, if the municipality is located in more than one county, the portion thereof which bears the same ratio to the whole amount as the net tax capacity of taxable property in that part of the municipality located in the auditor's county bears to the net tax capacity of all taxable property in the municipality.

[For text of subs 3 to 5, see M.S.1988]

History: 1989 c 329 art 13 s 20

475.62 REGISTER.

Each county auditor shall keep a register in which shall be entered, as to each issue of such obligations by any municipality located, in whole or in part, in the county, a record of the aggregate amount authorized, the aggregate amount issued, the purpose for which issued, the number, denomination, date, and maturity of each, the rate of interest, the time of payment, the place of payment of principal and interest, and the amount of tax levied for the payment thereof. The auditor shall also enter in said register the date and amount of each debt service loan and capital loan made by the state to any school district situated wholly or partly within the county, in accordance with section 124.42, subdivision 2, or section 124.43, subdivision 5, and shall enter on or before November 1 in each year thereafter the amount of the maximum effort debt service levy and the additional amount of the levy for interest on state loans to be extended on the tax rolls in that year, as certified by the commissioner of education in accordance with section 124.42, subdivision 4, and section 124.43, subdivision 4. In each such year the auditor shall extend on the tax rolls against all taxable property within each such district either (a) the aggregate amount of all tax levies required by

section 475.61 to be so extended in such year, less the principal amount of any new debt service loan granted in the current year, or (b) the maximum effort debt service levy of the district as certified by the commissioner of education, if greater than the levy required by the preceding clause (a); adding in either case (c) the amount of the levy for interest on state loans as certified by the commissioner of education, including interest on any new debt service loan granted in the current year. If the school district is situated in more than one county, the aggregate levy shall be apportioned among the counties as provided in section 475.61, subdivision 2, by the county auditor of the county in which is situated the largest portion by net tax capacity of the taxable property within the school district.

History: 1989 c 329 art 13 s 20

475.68 JOINT LIABILITY OF TOWN AND STATUTORY CITY.

In the event a town and a statutory city are jointly liable for the payment of any bonded indebtedness or in the event all the property within any town or statutory city is liable to be taxed for the payment of any such indebtedness, any such town or statutory city, at the time bonds mature, may pay that proportion of such indebtedness that the amount of the last assessment of property situate in the town or the statutory city bears to the net tax capacity of both the town and the statutory city. If either the town or the statutory city deems such assessment to be inequitable, its governing body may demand, in writing, that the commissioner of revenue appoint a disinterested assessor, not a resident of either the town or the statutory city, to make a reassessment of all the property situate in the town and the statutory city. Thereupon the commissioner shall appoint such assessor. The reassessment so made governs in the division of such indebtedness. Any such town or statutory city may issue bonds for the payment of the amount thereof for which it is liable.

History: 1989 c 329 art 13 s 20

475.73 STATE BOARD OF INVESTMENT.

Subdivision 1. Obligations sold under the provisions of section 475.60 may be purchased by the state board of investment if the obligations meet the requirements of section 11A.24, subdivision 2, upon the approval of the attorney general as to form and execution of the application therefor, and under rules as the board may specify, and the state board shall have authority to purchase the same to an amount not exceeding 15 percent of the net tax capacity of the taxable property of the municipality, according to the last preceding assessment. The obligations shall not run for a shorter period than one year, nor for a longer period than 30 years and shall bear interest at a rate to be fixed by the state board but not less than two percent per annum. Forthwith upon the delivery to the state of Minnesota of any obligations issued by virtue thereof, the commissioner of finance shall certify to the respective auditors of the various counties wherein are situated the municipalities issuing the same, the number, denomination, amount, rate of interest and date of maturity of each obligation.

Subd. 2. The annual tax levy for the payment of principal and interest on account of such obligations shall be for an amount 50 percent in excess of the sum to be paid therefrom. The state auditor, at the time of certifying the state tax, shall also certify to each county auditor the amount necessary to pay such principal and interest. When collected so much of such tax as may be necessary shall be paid into the state treasury. The excess remaining shall be held over in the county treasury to be applied on the next future payment due on such obligations, and the amount of such excess shall be reported by the county auditor to the state auditor on or before August first each year, who shall deduct the same from the next annual tax levy for such purpose. The remainder, when such bonds are paid in full, shall be credited to the general fund of the municipality; and, in case a portion of the territory embraced in such municipality at the time such obligations were issued, has since been set off to another municipality, such remainder shall be divided with such other municipality, using as a basis for such division the last net tax capacity of the territory affected by such obligations. Any such

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municipality which shall make payment to the state of the full amount of principal and interest due on account of such obligations prior to the extending of such tax therefor by the state auditor shall be exempt from the provisions of this section.

History: 1989 c 329 art 13 s 20

475.79 POWERS AVAILABLE TO OTHER POLITICAL SUBDIVISIONS.

Any powers granted to a municipality under this chapter, other than the power to issue general obligation bonds and levy taxes, may be exercised by any other governmental unit. This grant of authority does not limit the powers granted to an entity under any other law.

History: 1989 c 355 s 24