

Sec. 64. CONTRACT LIABILITY.

Any procurement contract involving the department of administration that (1) was entered into before March 1, 1996, and (2) would be breached without the participation of the Minnesota state colleges and universities as determined by the attorney general, shall remain in effect until the first time that the Minnesota state colleges and universities can be excluded without liability.

Sec. 65. TRANSITIONAL BARGAINING.

Changes in the authority of the board of trustees to negotiate contracts under section 23 apply to negotiations for contracts for the period beginning July 1, 1999.

Sec. 66. REPEALER.

Minnesota Statutes 1994, sections 137.03; 137.05; 137.06; 137.07; 137.08; 137.11; 137.14; 137.15; and 137.33; Minnesota Statutes 1995 Supplement, section 136F.59, subdivision 1, are repealed.

Sec. 67. EFFECTIVE DATE.

Sections 1, 2, 5 to 11, 14, 15, 26 to 31, 33 to 38, 41 to 46, 48, and 53 to 66 are effective the day following final enactment. Sections 3, 4, 12, 13, 16 to 24, 32, 39, 40, 47, and 49 to 52 are effective July 1, 1996. Section 25 is effective January 1, 1997.

Presented to the governor March 29, 1996

Signed by the governor April 2, 1996, 10:10 a.m.

CHAPTER 399—H.F.No. 1567

An act relating to public funds; regulating the deposit and investment of these funds, and agreements related to these funds; requiring a study; making conforming changes; amending Minnesota Statutes 1994, sections 6.745, as amended; 103E.635, subdivision 8; 121.148, subdivision 4; 136A.32, subdivision 7; 385.07; 447.49; 469.012, subdivision 1; 469.155, subdivision 15; 473.197, subdivision 4; 473.543, subdivision 3; and 475.51, subdivision 1; Minnesota Statutes 1995 Supplement, section 473.900, subdivision 3; proposing coding for new law as Minnesota Statutes, chapter 118A; repealing Minnesota Statutes 1994, sections 118.005; 118.01; 118.02; 118.08; 118.09; 118.10; 118.11; 118.12; 118.13; 118.14; 118.16; 124.05; 471.56; 475.66, as amended; and 475.76.

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

ARTICLE 1

PUBLIC FUNDS

Section 1. Minnesota Statutes 1994, section 6.745, as amended by Laws 1995, chapter 134, section 1, is amended to read:

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6.745 SUMMARY BUDGET DATA TO THE STATE AUDITOR.

Subdivision 1. **CITIES.** Annually, upon adoption of the city budget, the city council of each home rule charter or statutory city shall forward summary budget information to the office of the state auditor. The summary budget information shall be provided on forms prescribed by the state auditor. The office of the state auditor shall work with representatives of city government to develop a budget reporting form that conforms with city budgeting practices and provides the necessary summary budget information to the office of the state auditor. The summary budget data must include separately any net unrealized gains or losses from investments. The summary budget data shall be provided to the office of the state auditor no later than January 31 of each budget year.

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

Sec. 2. [118A.01] PUBLIC FUNDS; DEPOSITORIES AND INVESTMENTS.

Subdivision 1. **DEFINITIONS.** The definitions in this section apply to sections 118A.01 to 118A.06.

Subd. 2. **GOVERNMENT ENTITY.** “Government entity” means a county, city, town, school district, hospital district, public authority, public corporation, public commission, special district, any other political subdivision, except an entity whose investment authority is specified under chapter 11A or 356A.

Subd. 3. **FINANCIAL INSTITUTION.** “Financial institution” means a savings association, commercial bank, trust company, credit union, or industrial loan and thrift company.

Subd. 4. **PUBLIC FUNDS.** “Public funds” means all general, special, permanent, trust, and other funds, regardless of source or purpose, held or administered by a government entity, unless otherwise restricted.

Sec. 3. [118A.02] AUTHORIZATION FOR DEPOSIT AND INVESTMENT.

Subdivision 1. The governing body of each government entity shall designate, as a depository of its funds, one or more financial institutions. The governing body may authorize the treasurer or chief financial officer to (1) designate depositories of the funds; (2) make investments of funds under sections 118A.01 to 118A.06 or other applicable law; or (3) both designate depositories and make investments as provided in this subdivision.

Subd. 2. The treasurer or chief financial officer of a government entity may at any time sell obligations purchased pursuant to this section and the money received from

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such sale, and the interest and profits or loss on such investment shall be credited or charged, as the case may be, to the fund from which the investment was made. Neither such official nor government entity, nor any other official responsible for the custody of such funds, shall be personally liable for any loss sustained from the deposit or investment of funds in accordance with the provisions of sections 118A.04 and 118A.05.

Sec. 4. [118A.03] DEPOSITORIES AND COLLATERAL.

Subdivision 1. To the extent that funds deposited are in excess of available federal deposit insurance, the government entity shall require the financial institution to furnish collateral security or a corporate surety bond executed by a company authorized to do business in the state.

Subd. 2. The following are the allowable forms of collateral in lieu of a corporate surety bond:

(1) United States government treasury bills, treasury notes, treasury bonds;

(2) issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;

(3) general obligation securities of any state or local government with taxing powers which is rated A or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated AA or better by a national bond rating service;

(4) irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and

(5) time deposits that are fully insured by the Federal Deposit Insurance Corporation.

Subd. 3. The total amount of the collateral computed at its market value shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the business day. The financial institution may furnish both a surety bond and collateral aggregating the required amount.

Subd. 4. Any collateral pledged shall be accompanied by a written assignment to the government entity from the financial institution. The written assignment shall recite that, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged. Interest earned on assigned collateral will be remitted to the financial institution so long as it is not in default. The government entity may sell the collateral to recover the amount due. Any surplus from the sale of the collateral shall be payable to the financial institution, its assigns, or both.

Subd. 5. A financial institution may withdraw excess collateral or substitute other collateral after giving written notice to the governmental entity and receiving confirmation. The authority to return any delivered and assigned collateral rests with the government entity.

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Subd. 6. For purposes of this section, default on the part of the financial institution includes, but is not limited to, failure to make interest payments when due, failure to promptly deliver upon demand all money on deposit, less any early withdrawal penalty that may be required in connection with the withdrawal of a time deposit, or closure of the depository. If a financial institution closes, all deposits shall be immediately due and payable. It shall not be a default under this subdivision to require prior notice of withdrawal if such notice is required as a condition of withdrawal by applicable federal law or regulation.

Subd. 7. All collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection shall be approved by the government entity.

Sec. 5. [118A.04] INVESTMENTS.

Subdivision 1. Any public funds, not presently needed for other purposes or restricted for other purposes, may be invested in the manner and subject to the conditions provided for in this section.

Subd. 2. Public funds may be invested in governmental bonds, notes, bills, mortgages (excluding high-risk mortgage-backed securities), 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.

Subd. 3. Funds may be invested in the following:

(1) any security which is a general obligation of any state or local government with taxing powers which is rated A or better by a national bond rating service;

(2) any security which is a revenue obligation of any state or local government with taxing powers which is rated AA or better by a national bond rating service; and

(3) a general obligation of the Minnesota housing finance agency which is a moral obligation of the state of Minnesota and is rated A or better by a national bond rating agency.

Subd. 4. Funds may be invested in commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

Subd. 5. Funds may be invested in time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States banks.

Subd. 6. For the purposes of this section and section 118A.05, "high-risk mortgage-backed securities" are:

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

(b) any mortgage derivative security that:

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

(2) has an expected average life that:

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

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

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

Subd. 7. Funds may be invested in general obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7, 469.178, subdivision 5, or 475.61, subdivision 6.

Subd. 8. Funds held in a debt service fund may 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 by the governmental entity at any time, but the money so received remains part of the fund until used for the purpose for which the fund was created. Any obligation held in a debt service fund from which it is payable may be canceled at any time unless otherwise provided in a resolution or other instrument securing obligations payable from the fund.

Subd. 9. (a) For the purpose of this section and section 118A.05, the term "broker" means a broker-dealer, broker, or agent of a government entity, who transfers, purchases, sells, or obtains securities for, or on behalf of, a government entity.

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

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

(d) The state auditor shall prepare uniform notification forms which shall be used by the government entities and the brokers to meet the requirements of this subdivision.

Sec. 6. [118A.05] CONTRACTS AND AGREEMENTS.

Subdivision 1. In addition to other authority granted in sections 118A.01 to 118A.06, government entities may enter into contracts and agreements as follows.

Subd. 2. Repurchase agreements consisting of collateral allowable in section 118A.04, and reverse repurchase agreements may be entered into with any of the following entities:

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(1) a financial institution qualified as a "depository" of public funds of the government entity;

(2) any other financial institution which is a member of the Federal Reserve System and whose combined capital and surplus equals or exceeds \$10,000,000;

(3) a primary reporting dealer in United States government securities to the Federal Reserve Bank of New York; or

(4) a securities broker-dealer licensed pursuant to chapter 80A, or an affiliate of it, regulated by the securities and exchange commission and maintaining a combined capital and surplus of \$40,000,000 or more, exclusive of subordinated debt.

Reverse agreements may only be entered into for a period of 90 days or less and only to meet short-term cash flow needs. In no event may reverse repurchase agreements be entered into for the purpose of generating cash for investments, except as stated in subdivision 3.

Subd. 3. Securities lending agreements, including custody agreements, may be entered into with a financial institution meeting the qualifications of subdivision 2, clause (1) or (2), and having its principal executive office in Minnesota. Securities lending transactions may be entered into with entities meeting the qualifications of subdivision 2 and the collateral for such transactions shall be restricted to the securities described in sections 118A.04 and 118A.05.

Subd. 4. Government entities may enter into agreements or contracts for shares of a Minnesota joint powers investment trust whose investments are restricted to securities described in sections 118A.04 and 118A.05, subdivision 2, or 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.

Subd. 5. Agreements or contracts for guaranteed investment contracts may be entered into if they are issued or guaranteed by United States commercial banks, domestic branches of foreign banks, United States insurance companies, or their Canadian subsidiaries. The credit quality of the issuer's or guarantor's short- and long-term unsecured debt must be rated in one of the two highest categories by a nationally recognized rating agency. Should the issuer's or guarantor's credit quality be downgraded below A, the government entity must have withdrawal rights.

Sec. 7. [118A.06] DELIVERY AND SAFEKEEPING.

Investments, contracts, and agreements may be held in safekeeping with:

(1) any Federal Reserve Bank;

(2) any bank authorized under the laws of the United States or any state to exercise corporate trust powers, including, but not limited to, the bank from which the investment is purchased;

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(3) a primary reporting dealer in United States government securities to the Federal Reserve Bank of New York; or

(4) a securities broker-dealer having its principal executive office in Minnesota, licensed under chapter 80A, or an affiliate of it, and regulated by the Securities and Exchange Commission; provided that the government entity's ownership of all securities is evidenced by written acknowledgments identifying the securities by the names of the issuers, maturity dates, interest rates, CUSIP number, or other distinguishing marks.

Sec. 8. [118A.07] ADDITIONAL INVESTMENT AUTHORITY.

Subdivision 1. **AUTHORITY PROVIDED.** As used in this section, "governmental entity" means a city with a population in excess of 200,000 or a county that contains a city of that size. If a governmental entity meets the requirements of subdivisions 2 and 3, it may exercise additional investment authority under subdivisions 4, 5, and 6.

Subd. 2. **WRITTEN POLICIES AND PROCEDURES.** Prior to exercising any additional authority under subdivisions 4, 5, and 6, the governmental entity must have written investment policies and procedures governing the following:

(1) the use of or limitation on mutual bond funds or other securities authorized or permitted investments under law;

(2) specifications for and limitations on the use of derivatives;

(3) the final maturity of any individual security;

(4) the maximum average weighted life of the portfolio;

(5) the use of and limitations on reverse repurchase agreements;

(6) credit standards for financial institutions with which the government entity deals; and

(7) credit standards for investments made by the government entity.

Subd. 3. **OVERSIGHT PROCESS.** Prior to exercising any authority under subdivisions 4, 5, and 6, the governmental entity must establish an oversight process that provides for review of the government entity's investment strategy and the composition of the financial portfolio. This process shall include one or more of the following:

(1) audit reviews;

(2) internal or external investment committee reviews; and

(3) internal management control.

Additionally, the governing body of the governmental entity must, by resolution, authorize its treasurer to utilize the additional authorities under this section within their prescribed limits, and in conformance with the written limitations, policies, and procedures of the governmental entity.

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If the governing body of a governmental entity exercises the authority provided in this section, the treasurer of the governmental entity must annually report to the governing body on the findings of the oversight process required under this subdivision. If the governing body intends to continue to exercise the authority provided in this section for the following calendar year, it must adopt a resolution affirming that intention by December 1.

Subd. 4. **REPURCHASE AGREEMENTS.** A government entity may enter into repurchase agreements as authorized under section 118A.05, provided that the exclusion of mortgage-backed securities defined as "high risk mortgage-backed securities" under section 118A.04, subdivision 6, shall not apply to repurchase agreements under this authority if the margin requirements is 101 percent or more.

Subd. 5. **REVERSE REPURCHASE AGREEMENTS.** Notwithstanding the limitations contained in section 118A.05, subdivision 2, the county may enter into reverse repurchase agreements to:

(1) meet cash flow needs; or

(2) generate cash for investments, provided that the total securities owned shall be limited to an amount not to exceed 130 percent of the annual daily average of general investable monies for the fiscal year as disclosed in the most recently available audited financial report. Excluded from this limit are:

(i) securities with maturities of one year or less; and

(ii) securities that have been reversed to maturity.

There shall be no limit on the term of a reverse repurchase agreement. Reverse repurchase agreements shall not be included in computing the net debt of the governmental entity, and may be made without an election or public sale, and the interest payable thereon shall not be subject to the limitation in section 475.55. The interest shall not be deducted or excluded from gross income of the recipient for the purpose of state income, corporate franchise, or bank excise taxes, or if so provided by federal law, for the purpose of federal income tax.

Subd. 6. **OPTIONS AND FUTURES.** A government entity may enter into futures contracts, options on futures contracts, and option agreements to buy or sell securities authorized under law as legal investments for counties, but only with respect to securities owned by the governmental entity, including securities that are the subject of reverse repurchase agreements under this section that expire at or before the due date of the option agreement.

Sec. 9. [118A.08] NO SUPERSEDING EFFECT.

Except as provided in section 11, sections 2 to 7 shall not supersede any general or special law relating to the deposit and investment of public funds.

Sec. 10. **STUDY; REPORT.**

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The department of finance, in cooperation with the Minnesota Association of County Treasurers, the Minnesota Association of School Business Officials, and the Minnesota Government Finance Officers Association, shall review the adequacy of training and certification programs for representatives of local government entities which are entrusted with the deposit and investment of public funds. The department shall report its finding and any recommendations to the local government and metropolitan affairs committee of the house of representatives and the metropolitan and local government committee of the senate no later than November 15, 1996.

Sec. 11. **REPEALER.**

Minnesota Statutes 1994, sections 118.005; 118.01; 118.02; 118.08; 118.09; 118.10; 118.11; 118.12; 118.13; 118.14; 118.16; 124.05; 471.56; 475.66, as amended by Laws 1995, chapter 122, section 3; and 475.76, are repealed.

Sec. 12. **EFFECTIVE DATE.**

Sections 2 to 7 and 11 are effective January 1, 1997. Section 10 is effective the day following final enactment.

ARTICLE 2

CONFORMING CHANGES

Section 1. Minnesota Statutes 1994, section 103E.635, subdivision 8, is amended to read:

Subd. 8. **COUNTY INVESTMENT, PURCHASE, AND SELLING OF TEMPORARY DRAINAGE BONDS.** (a) Funds of the issuing county may be invested in temporary drainage bonds under sections 471.56 and 475.66 section 118A.04, except that the temporary drainage bonds may be:

- (1) purchased by the county when the temporary drainage bonds are initially issued;
- (2) purchased only out of funds that the board determines will not be required for other purposes before the temporary drainage bonds mature; and
- (3) resold before the temporary drainage bonds mature only if there is an unforeseen emergency.

(b) If a temporary drainage bond purchase is made from money held in a sinking fund for other bonds of the county, the holders of the other bonds may enforce the county's obligation to sell definitive bonds at or before the maturity of the temporary drainage bonds, or exchange the other bonds, in the same manner as holders of the temporary drainage bonds.

Sec. 2. Minnesota Statutes 1994, section 121.148, subdivision 4, is amended to read:

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Subd. 4. **UNFAVORABLE REVIEW AND COMMENT.** If the commissioner submits an unfavorable review and comment for a proposal under section 121.15, the school board, by resolution of the board, must reconsider construction. If, upon reconsideration, the school board decides to proceed with construction, it may initiate proceedings for issuing bonds to finance construction under sections 475.51 to 475.76 chapter 475. Unless 60 percent of the voters at the election approve of issuing the obligations, the board is not authorized to issue the obligations.

Sec. 3. Minnesota Statutes 1994, section 136A.32, subdivision 7, is amended to read:

Subd. 7. The authority may invest any bond proceeds, sinking funds or reserves in any securities authorized for investment of ~~debt service~~ funds of municipalities pursuant to section 475.66, ~~subdivision 3~~ 118A.04, including securities described in section 475.67, subdivision 8. In addition, such bond proceeds, sinking funds and reserves may be

(1) deposited in time deposits of any state or national bank subject to the limitations and requirements of chapter 118, or

(2) invested in repurchase agreements with, providing for the repurchase of securities described in the preceding sentence by, a bank qualified as a depository of money of the authority, a national or state bank in the United States that is a member of the federal reserve system and whose combined capital and surplus equals or exceeds \$10,000,000, or a reporting dealer to the federal reserve bank of New York. Power to make any such investment or deposit is subject to the provisions of any applicable covenant or restriction in a resolution or trust agreement of the authority.

Sec. 4. Minnesota Statutes 1994, section 385.07, is amended to read:

385.07 FUNDS, WHERE DEPOSITED OR INVESTED.

All county funds shall be deposited promptly and intact by the county treasurer in the name of the county or invested as provided in sections 471.56 and 475.66 section 118A.04. Interest and profits which accrue from such investment shall, when collected, be credited to the general revenue fund of the county.

Sec. 5. Minnesota Statutes 1994, section 447.49, is amended to read:

447.49 MISCELLANEOUS PROVISIONS.

Bonds issued under sections 447.45 to 447.50 must be issued and sold as provided in chapter 475. If the bonds do not pledge the credit of the county, city, or hospital district as provided in section 447.48, the governing body may negotiate their sale without advertisement for bids. They shall not be included in the net debt of any municipality, and are not subject to interest rate limitations, as defined or referred to in sections 475.51 and 475.55. If the bonds do not pledge the credit of the county, city, or hospital district as provided in section 447.48 and are payable from rental payments to be made under a lease agreement entered into pursuant to section 447.47, the county, city, or hospital district may invest or deposit, or authorize a trustee to invest or deposit, any proceeds of the

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bonds, rental payments, and income from the investment of them, in any manner and upon any terms and conditions agreed to by the lessee under the lease agreement, resolution, or indenture, notwithstanding chapter ~~118~~ or section ~~471.56~~ or ~~475.66~~ 118A, but subject to any statutory provisions that govern the deposit and investment of funds of a lessee which is itself a governmental subdivision or agency.

Sec. 6. Minnesota Statutes 1994, section 469.012, subdivision 1, is amended to read:

Subdivision 1. **SCHEDULE OF POWERS.** An authority shall be a public body corporate and politic and shall have all the powers necessary or convenient to carry out the purposes of sections 469.001 to 469.047, except that the power to levy and collect taxes or special assessments is limited to the power provided in sections 469.027 to 469.033. Its powers include the following powers in addition to others granted in sections 469.001 to 469.047:

(1) to sue and be sued; to have a seal, which shall be judicially noticed, and to alter it; to have perpetual succession; and to make, amend, and repeal rules consistent with sections 469.001 to 469.047;

(2) to employ an executive director, technical experts, and officers, agents, and employees, permanent and temporary, that it requires, and determine their qualifications, duties, and compensation; for legal services it requires, to call upon the chief law officer of the city or to employ its own counsel and legal staff; so far as practicable, to use the services of local public bodies in its area of operation, provided that those local public bodies, if requested, shall make the services available;

(3) to delegate to one or more of its agents or employees the powers or duties it deems proper;

(4) within its area of operation, to undertake, prepare, carry out, and operate projects and to provide for the construction, reconstruction, improvement, extension, alteration, or repair of any project or part thereof;

(5) subject to the provisions of section 469.026, to give, sell, transfer, convey, or otherwise dispose of real or personal property or any interest therein and to execute leases, deeds, conveyances, negotiable instruments, purchase agreements, and other contracts or instruments, and take action that is necessary or convenient to carry out the purposes of these sections;

(6) within its area of operation, to acquire real or personal property or any interest therein by gifts, grant, purchase, exchange, lease, transfer, bequest, devise, or otherwise, and by the exercise of the power of eminent domain, in the manner provided by chapter 117, to acquire real property which it may deem necessary for its purposes, after the adoption by it of a resolution declaring that the acquisition of the real property is necessary to eliminate one or more of the conditions found to exist in the resolution adopted pursuant to section 469.003 or to provide decent, safe, and sanitary housing for persons of low and moderate income, or is necessary to carry out a redevelopment project. Real property needed or convenient for a project may be acquired by the authority for the project by condemnation pursuant to this section. This includes any property devoted to a public use, whether or not held in trust, notwithstanding that the property may have been pre-

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viously acquired by condemnation or is owned by a public utility corporation, because the public use in conformity with the provisions of sections 469.001 to 469.047 shall be deemed a superior public use. Property devoted to a public use may be so acquired only if the governing body of the municipality has approved its acquisition by the authority. An award of compensation shall not be increased by reason of any increase in the value of the real property caused by the assembly, clearance or reconstruction, or proposed assembly, clearance or reconstruction for the purposes of sections 469.001 to 469.047 of the real property in an area;

(7) within its area of operation, and without the adoption of an urban renewal plan, to acquire, by all means as set forth in clause (6) but without the adoption of a resolution provided for in clause (6), real property, and to demolish, remove, rehabilitate, or reconstruct the buildings and improvements or construct new buildings and improvements thereon, or to so provide through other means as set forth in Laws 1974, chapter 228, or to grade, fill, and construct foundations or otherwise prepare the site for improvements. The authority may dispose of the property pursuant to section 469.029, provided that the provisions of section 469.029 requiring conformance to an urban renewal plan shall not apply. The authority may finance these activities by means of the redevelopment project fund or by means of tax increments or tax increment bonds or by the methods of financing provided for in section 469.033 or by means of contributions from the municipality provided for in section 469.041, clause (9), or by any combination of those means. Real property with buildings or improvements thereon shall only be acquired under this clause when the buildings or improvements are substandard. The exercise of the power of eminent domain under this clause shall be limited to real property which contains, or has contained within the three years immediately preceding the exercise of the power of eminent domain and is currently vacant, buildings and improvements which are vacated and substandard. Notwithstanding the prior sentence, in cities of the first class the exercise of the power of eminent domain under this clause shall be limited to real property which contains, or has contained within the three years immediately preceding the exercise of the power of eminent domain, buildings and improvements which are substandard. For the purpose of this clause, substandard buildings or improvements mean hazardous buildings as defined in section 463.15, subdivision 3, or buildings or improvements that are dilapidated or obsolescent, faultily designed, lack adequate ventilation, light, or sanitary facilities, or any combination of these or other factors that are detrimental to the safety or health of the community;

(8) within its area of operation, to determine the level of income constituting low or moderate family income. The authority may establish various income levels for various family sizes. In making its determination, the authority may consider income levels that may be established by the Department of Housing and Urban Development or a similar or successor federal agency for the purpose of federal loan guarantees or subsidies for persons of low or moderate income. The authority may use that determination as a basis for the maximum amount of income for admissions to housing development projects or housing projects owned or operated by it;

(9) to provide in federally assisted projects any relocation payments and assistance necessary to comply with the requirements of the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, and any amendments or supplements thereto;

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(10) to make an agreement with the governing body or bodies creating the authority which provides exemption from all real and personal property taxes levied or imposed by the state, city, county, or other political subdivisions, for which the authority shall make payments in lieu of taxes to the state, city, county, or other political subdivisions as provided in section 469.040. The governing body shall agree on behalf of all the applicable governing bodies affected that local cooperation as required by the federal government shall be provided by the local governing body or bodies in whose jurisdiction the project is to be located, at no cost or at no greater cost than the same public services and facilities furnished to other residents;

(11) to cooperate with or act as agent for the federal government, the state or any state public body, or any agency or instrumentality of the foregoing, in carrying out any of the provisions of sections 469.001 to 469.047 or of any other related federal, state, or local legislation; and upon the consent of the governing body of the city to purchase, lease, manage, or otherwise take over any housing project already owned and operated by the federal government;

(12) to make plans for carrying out a program of voluntary repair and rehabilitation of buildings and improvements, and plans for the enforcement of laws, codes, and regulations relating to the use of land and the use and occupancy of buildings and improvements, and to the compulsory repair, rehabilitation, demolition, or removal of buildings and improvements. The authority may develop, test, and report methods and techniques, and carry out demonstrations and other activities for the prevention and elimination of slums and blight;

(13) to borrow money or other property and accept contributions, grants, gifts, services, or other assistance from the federal government, the state government, state public bodies, or from any other public or private sources;

(14) to include in any contract for financial assistance with the federal government any conditions that the federal government may attach to its financial aid of a project, not inconsistent with purposes of sections 469.001 to 469.047, including obligating itself (which obligation shall be specifically enforceable and not constitute a mortgage, notwithstanding any other laws) to convey to the federal government the project to which the contract relates upon the occurrence of a substantial default with respect to the covenants or conditions to which the authority is subject; to provide in the contract that, in case of such conveyance, the federal government may complete, operate, manage, lease, convey, or otherwise deal with the project until the defaults are cured if the federal government agrees in the contract to reconvey to the authority the project as then constituted when the defaults have been cured;

(15) to issue bonds for any of its corporate purposes and to secure the bonds by mortgages upon property held or to be held by it or by pledge of its revenues, including grants or contributions;

(16) to invest any funds held in reserves or sinking funds, or any funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control or in the manner and subject to the conditions provided in section 475.66 118A.04 for the deposit and investment of ~~debt~~ service public funds;

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(17) within its area of operation, to determine where blight exists or where there is unsafe, unsanitary, or overcrowded housing;

(18) to carry out studies of the housing and redevelopment needs within its area of operation and of the meeting of those needs. This includes study of data on population and family groups and their distribution according to income groups, the amount and quality of available housing and its distribution according to rentals and sales prices, employment, wages, desirable patterns for land use and community growth, and other factors affecting the local housing and redevelopment needs and the meeting of those needs; to make the results of those studies and analyses available to the public and to building, housing, and supply industries;

(19) if a local public body does not have a planning agency or the planning agency has not produced a comprehensive or general community development plan, to make or cause to be made a plan to be used as a guide in the more detailed planning of housing and redevelopment areas;

(20) to lease or rent any dwellings, accommodations, lands, buildings, structures, or facilities included in any project and, subject to the limitations contained in sections 469.001 to 469.047 with respect to the rental of dwellings in housing projects, to establish and revise the rents or charges therefor;

(21) to own, hold, and improve real or personal property and to sell, lease, exchange, transfer, assign, pledge, or dispose of any real or personal property or any interest therein;

(22) to insure or provide for the insurance of any real or personal property or operations of the authority against any risks or hazards;

(23) to procure or agree to the procurement of government insurance or guarantees of the payment of any bonds or parts thereof issued by an authority and to pay premiums on the insurance;

(24) to make expenditures necessary to carry out the purposes of sections 469.001 to 469.047;

(25) to enter into an agreement or agreements with any state public body to provide informational service and relocation assistance to families, individuals, business concerns, and nonprofit organizations displaced or to be displaced by the activities of any state public body;

(26) to compile and maintain a catalog of all vacant, open and undeveloped land, or land which contains substandard buildings and improvements as that term is defined in clause (7), that is owned or controlled by the authority or by the governing body within its area of operation and to compile and maintain a catalog of all authority owned real property that is in excess of the foreseeable needs of the authority, in order to determine and recommend if the real property compiled in either catalog is appropriate for disposal pursuant to the provisions of section 469.029, subdivisions 9 and 10;

(27) to recommend to the city concerning the enforcement of the applicable health, housing, building, fire prevention, and housing maintenance code requirements as they

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relate to residential dwelling structures that are being rehabilitated by low- or moderate-income persons pursuant to section 469.029, subdivision 9, for the period of time necessary to complete the rehabilitation, as determined by the authority;

(28) to recommend to the city the initiation of municipal powers, against certain real properties, relating to repair, closing, condemnation, or demolition of unsafe, unsanitary, hazardous, and unfit buildings, as provided in section 469.041, clause (5);

(29) to sell, at private or public sale, at the price or prices determined by the authority, any note, mortgage, lease, sublease, lease purchase, or other instrument or obligation evidencing or securing a loan made for the purpose of economic development, job creation, redevelopment, or community revitalization by a public agency to a business, for-profit or nonprofit organization, or an individual;

(30) within its area of operation, to acquire and sell real property that is benefited by federal housing assistance payments, other rental subsidies, interest reduction payments, or interest reduction contracts for the purpose of preserving the affordability of low- and moderate-income multifamily housing;

(31) to apply for, enter into contracts with the federal government, administer, and carry out a section 8 program. Authorization by the governing body creating the authority to administer the program at the authority's initial application is sufficient to authorize operation of the program in its area of operation for which it was created without additional local governing body approval. Approval by the governing body or bodies creating the authority constitutes approval of a housing program for purposes of any special or general law requiring local approval of section 8 programs undertaken by city, county, or multicounty authorities; and

(32) to secure a mortgage or loan for a rental housing project by obtaining the appointment of receivers or assignments of rents and profits under sections 559.17 and 576.01, except that the limitation relating to the minimum amounts of the original principal balances of mortgages specified in sections 559.17, subdivision 2, clause (2); and 576.01, subdivision 2, does not apply.

Sec. 7. Minnesota Statutes 1994, section 469.155, subdivision 15, is amended to read:

Subd. 15. **INVESTMENT AND DEPOSIT OF FUNDS.** It may invest or deposit, or authorize a trustee to invest or deposit, any proceeds of revenue bonds or notes issued pursuant to sections 469.152 to 469.165, and income from the investment of the proceeds, in any manner and upon any terms and conditions agreed to by the contracting party under the related revenue agreement, resolution, or indenture, notwithstanding chapter ~~118~~ or section ~~471.56~~ or ~~475.56~~ 118A, but subject to any statutory provisions which govern the deposit and investment of funds of a contracting party which is itself a governmental subdivision or agency.

Sec. 8. Minnesota Statutes 1994, section 473.197, subdivision 4, is amended to read:

Subd. 4. **DEBT RESERVE; LEVY.** To provide money to pay debt service on bonds issued under the credit enhancement program if pledged revenues are insufficient to pay

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debt service, the council must maintain a debt reserve fund in the manner and with the effect provided by section 475.66 118A.04 for public ~~debt service~~ funds. To provide funds for the debt reserve fund, the council may use up to \$3,000,000 of the proceeds of solid waste bonds issued by the council under section 473.831 before its repeal. To provide additional funds for the debt reserve fund, the council may levy a tax on all taxable property in the metropolitan area and must levy the tax if sums in the debt reserve fund are insufficient to cure any deficiency in the debt service fund established for the bonds. The tax authorized by this section does not affect the amount or rate of taxes that may be levied by the council for other purposes and is not subject to limit as to rate or amount.

Sec. 9. Minnesota Statutes 1994, section 473.543, subdivision 3, is amended to read:

Subd. 3. The moneys on hand in said funds and accounts may be deposited in the official depositories of the council or invested as hereinafter provided. The amount thereof not currently needed or required by law to be kept in cash on deposit may be invested in obligations authorized for the investment of ~~municipal sinking~~ public funds by section 475.66 118A.04. Such moneys may also be held under certificates of deposit issued by any official depository of the council.

Sec. 10. Minnesota Statutes 1995 Supplement, section 473.900, subdivision 3, is amended to read:

Subd. 3. **DEPOSITORIES; INVESTMENTS.** The money on hand in the funds and accounts may be deposited in the official depositories of the metropolitan council or invested as provided in this subdivision. The amount not currently needed or required by law to be kept in cash on deposit, may be invested in obligations authorized for the investment of ~~municipal sinking~~ public funds by section 475.66 118A.04. The money may also be held under certificates of deposit issued by any official depository of the metropolitan council.

Sec. 11. Minnesota Statutes 1994, section 475.51, subdivision 1, is amended to read:

Subdivision 1. **TERMS.** For the purposes of sections 475.51 to 475.76 this chapter, the terms defined in this section shall have the meanings given them.

Sec. 12. **REVISOR'S INSTRUCTION.**

To replace or remove references to repealed statutes, in the next edition of Minnesota Statutes the revisor of statutes shall

(a) in the sections listed in column A, change the reference in column B to the reference in column C:

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<u>Row</u>	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>
<u>(1)</u>	<u>37.07</u>	<u>118.01</u>	<u>118A.03</u>
<u>(2)</u>	<u>37.07</u>	<u>118.10</u>	<u>118A.03</u>
<u>(3)</u>	<u>60F.05</u>	<u>475.66</u>	<u>118A.04</u>
<u>(4)</u>	<u>62H.05</u>	<u>475.66</u>	<u>118A.04</u>
<u>(5)</u>	<u>115.46, subd. 2</u>	<u>475.66</u>	<u>118A.04</u>
<u>(6)</u>	<u>136F.90, subd. 5</u>	<u>475.66</u>	<u>118A.04</u>
<u>(7)</u>	<u>356A.06, subd. 6</u>	<u>118.01</u>	<u>118A.03</u>
<u>(8)</u>	<u>356A.06, subd. 8a</u>	<u>118.01</u>	<u>118A.03</u>
<u>(9)</u>	<u>400.11</u>	<u>475.66</u>	<u>118A.04</u>
<u>(10)</u>	<u>427.01</u>	<u>118.01</u>	<u>118A.03</u>
<u>(11)</u>	<u>427.02</u>	<u>118.01</u>	<u>118A.03</u>
<u>(12)</u>	<u>429.091</u>	<u>471.56</u>	<u>118A.04</u>
<u>(13)</u>	<u>458D.16</u>	<u>118.01</u>	<u>118A.03</u>
<u>(14)</u>	<u>458D.17, subd. 3</u>	<u>475.66</u>	<u>118A.04</u>
<u>(15)</u>	<u>462.396, subd. 6</u>	<u>118.10</u>	<u>118A.03</u>
<u>(16)</u>	<u>469.084, subd. 13</u>	<u>471.56</u>	<u>118A.04</u>
<u>(17)</u>	<u>469.178, subd. 5</u>	<u>471.56</u>	<u>118A.04</u>
<u>(18)</u>	<u>471.982, subd. 2</u>	<u>475.66</u>	<u>118A.04</u>
<u>(19)</u>	<u>473.542</u>	<u>118.01</u>	<u>118A.03</u>
<u>(20)</u>	<u>473.606, subd. 3</u>	<u>471.56</u>	<u>118A.04</u>
<u>(21)</u>	<u>473.711, subd. 3</u>	<u>118.01</u>	<u>118A.03</u>
<u>(22)</u>	<u>473.711, subd. 3</u>	<u>118.10</u>	<u>118A.03</u>
<u>(23)</u>	<u>473.811, subd. 1</u>	<u>475.66</u>	<u>118A.04</u>
<u>(24)</u>	<u>473.899</u>	<u>118.01</u>	<u>118A.03</u>
<u>(25)</u>	<u>475.54, subd. 6a</u>	<u>475.66, subd. 1</u>	<u>118A.06</u>
<u>(26)</u>	<u>475.60, subd. 7</u>	<u>475.66</u>	<u>118A.04</u>
<u>(27)</u>	<u>475.61, subd. 6</u>	<u>471.56</u>	<u>118A.04</u>
<u>(28)</u>	<u>475.67, subd. 13</u>	<u>475.66, subd. 3,</u> <u>clause (f)</u>	<u>118A.05, subd. 5;</u>

and (b) in sections 365.48, subdivision 4; 469.129, subdivision 1; and 475.79, remove the reference to section 475.66.

Presented to the governor March 29, 1996

Signed by the governor April 2, 1996, 10:14 a.m.

CHAPTER 400—H.F.No. 2782

VETOED

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