

Public Indebtedness, Borrowing

CHAPTER 475

PUBLIC INDEBTEDNESS

475.51	Definitions.	475.64	Levy by auditor.
475.52	Bond issues; purposes.	475.65	Delivery of bonds; use of proceeds.
475.525	Municipal district heating bonds.	475.66	Debt service fund.
475.53	Limit on net debt.	475.67	Refunding bonds and other obligations; validity; procedure.
475.54	Maturities; redemption.	475.68	Joint liability of town and statutory city.
475.55	Execution; negotiability; interest rates.	475.69	Defaced bonds; duplicates.
475.551	Excessive interest, validation.	475.70	Lost instruments; indemnity.
475.553	Paying agent; destruction of obligations and coupons.	475.71	Registration of bonds.
475.56	Interest rate.	475.72	Violations and penalties.
475.57	Initiation of proceedings; resolution.	475.73	State board of investment.
475.58	Obligations; elections to determine issue.	475.74	Per capita limitation not applicable.
475.59	Manner of submission; notice.	475.75	Effective date.
475.60	Sale of bonds.	475.753	Municipalities are subject to chapter 475.
475.61	Tax levies.	475.754	Disasters or public emergencies, certificates of indebtedness.
475.62	Register.	475.76	Reverse repurchase agreements.
475.63	Certificate as to registration.		

NOTE: For special laws relating to specific political subdivisions, see Table 1, Vol. 10.

475.01	[Repealed, 1949 c 682 s 26]
475.02	[Repealed, 1949 c 682 s 26]
475.03	[Renumbered 475.51]
475.04	[Superseded by 475.03]
475.05	[Repealed, 1947 c 296 s 6]
475.06	[Repealed, 1947 c 296 s 6]
475.07	[Renumbered 475.55]
475.08	[Superseded by 475.31]
475.09	[Repealed, 1947 c 296 s 6]
475.091	[Repealed, 1947 c 296 s 6]
475.10	[Repealed, 1947 c 296 s 6]
475.11	[Renumbered 475.56]
475.12	[Renumbered 475.71]
475.13	[Superseded]
475.14	[Renumbered 475.52]
475.15	[Repealed, 1949 c 682 s 26]
475.16	[Repealed, 1949 c 682 s 26]
475.17	[Repealed, 1949 c 682 s 26]
475.18	[Renumbered 475.65]
475.19	[Renumbered 475.69]
475.20	[Renumbered 475.70]
475.21	[Renumbered 475.64]
475.22	[Renumbered 471.69]
475.23	[Renumbered 475.53]
475.24	[Renumbered 475.54]
475.25	[Renumbered 475.58]
475.26	[Repealed, 1949 c 682 s 26]
475.27	[Renumbered 475.62]
475.28	[Renumbered 475.63]

- 475.29 [Repealed, 1949 c 682 s 26]
- 475.30 [Renumbered 475.66]
- 475.31 [Repealed, 1949 c 682 s 26]
- 475.32 [Renumbered 475.72]
- 475.33 [Renumbered 471.70]
- 475.34 [Renumbered 475.67]
- 475.35 [Repealed, 1949 c 682 s 26]
- 475.36 [Superseded]
- 475.37 [Superseded]
- 475.38 [Superseded]
- 475.39 [Repealed, 1949 c 682 s 26]
- 475.40 [Repealed, 1949 c 682 s 26]
- 475.41 [Renumbered 475.68]
- 475.42 [Repealed, 1949 c 682 s 26]
- 475.43 [Repealed, 1949 c 682 s 26]

475.51 DEFINITIONS.

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

Subd. 2. "Municipality" means a city of any class, county, town, or school district.

Subd. 3. "Obligation" means any promise to pay a stated amount of money at a fixed future date, regardless of the source of funds to be used for its payment.

Subd. 4. "Net debt" means the amount remaining after deducting from its gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

(1) Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursement in whole or in part from the proceeds of the special assessments.

(2) Warrants or orders having no definite or fixed maturity.

(3) Obligations payable wholly from the income from revenue producing conveniences.

(4) Obligations issued to create or maintain a permanent improvement revolving fund.

(5) Obligations issued for the acquisition, and betterment of public water-works systems, and public lighting, heating or power systems, and of any combination thereof or for any other public convenience from which a revenue is or may be derived.

(6) Debt service loans and capital loans made to a school district under the provisions of sections 124.42 and 124.43.

(7) Amount of all money and the face value of all securities held as a debt service fund for the extinguishment of obligations other than those deductible under this subdivision.

(8) All other obligations which under the provisions of law authorizing their issuance are not to be included in computing the net debt of the municipality.

Subd. 5. "Assessed value" means the latest valuation for purposes of taxation, as finally equalized, of all property taxable within the municipality.

Subd. 6. "Debt service fund" means any money and investments in the treasury of a municipality appropriated to pay the principal, interest, or premiums for the redemption of any of its obligations. "Sinking fund" means debt service fund. A separate balance sheet need not be maintained for any debt service fund, and the fund need not be segregated from other funds of the municipality in a separate bank deposit account or in a separate investment fund or account, unless so provided in a resolution or other instrument securing obligations payable from the debt service fund; but a separate bookkeeping account or accounts shall be maintained in the official financial records of the municipality reflecting all receipts and disbursements of money and investments of principal and income appropriated for the purposes of each debt service fund.

Subd. 7. "Acquisition" includes purchase, condemnation, construction, and acquisition of necessary land, easements, buildings, structures, machinery or equipment.

Subd. 8. "Betterment" includes reconstruction, extension, improvement, repair, remodeling, lighting, equipping, and furnishing.

Subd. 9. "Governing body" means the board, council, commission, or other body of the municipality charged with the general control of its financial affairs; provided, that where any charter or law confers bond issuing power on a particular board or body of a municipality, such board or body is the governing body under the provisions of sections 475.51 to 475.75.

Subd. 10. "General obligations" means any obligations which pledge the full faith and credit of the municipality to their payment.

Subd. 11. "Reporting dealer to the federal reserve bank of New York" means a securities broker-dealer licensed pursuant to chapter 80A, or an affiliate thereof, which makes primary markets in United States government securities and reports daily to the federal reserve bank of New York its position with respect to such securities held by it and amounts borrowed thereon.

Subd. 12. "Reverse repurchase agreement" means an obligation incurred by a municipality to repurchase at a fixed future date and price a security sold by it to a financial institution on the date of the agreement, or another security identical as to the issuer, source of payment, principal amount, interest rate, maturity, and redemption provisions. The principal amount of the obligation is the sale price of the security, excluding any accrued interest thereon paid to the municipality. The interest payable by the municipality on the obligation is the difference between the sale price and the repurchase price of the security, excluding any accrued interest thereon received by the financial institution.

History: *RL s 778; 1943 c 656 s 30 subd 3; 1947 c 296 s 2; 1949 c 682 s 1; 1951 c 422 s 1; 1961 c 752 s 8; 1971 c 903 s 1; 1973 c 123 art 5 s 7; 1974 c 380 s 1; 1976 c 324 s 1,2,26; 1977 c 259 s 1; 1978 c 674 s 41 (1936)*

475.52 BOND ISSUES; PURPOSES.

Subdivision 1. **Statutory cities.** Any statutory city may issue bonds or other obligations for the acquisition or betterment of public buildings, means of garbage disposal, hospitals, nursing homes, homes for the aged, schools, libraries, museums, art galleries, parks, playgrounds, stadia, sewers, sewage disposal plants, subways, streets, sidewalks; for any utility or other public convenience from which a revenue is or may be derived; for a permanent improvement revolving fund; for changing, controlling or bridging streams and other waterways; for the acquisition and betterment of bridges and roads within two miles of the corporate limits; and for acquisition of equipment for snow removal, street construction and maintenance, or fire fighting. Without limitation by the foregoing the city may issue bonds to provide money for any authorized corporate purpose except current expenses.

Subd. 2. **Home rule charter cities.** Any city governed by a home rule charter may issue bonds for any purpose enumerated in subdivision 1 unless forbidden by its charter, except that any such city may issue bonds for the acquisition of ambulances and related equipment notwithstanding the provisions of its charter; and for other purposes as authorized by its charter.

Subd. 3. **Counties.** Any county may issue bonds for the acquisition or betterment of courthouses, jails, poor farms, 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.

Subd. 4. **Towns.** Any town may issue bonds for the acquisition and betterment of town halls, town roads and bridges, nursing homes and homes for the aged, and for acquisition of equipment for snow removal, road construction or maintenance, and fire fighting and for the acquisition and betterment of any buildings to house and maintain town equipment.

Subd. 5. **School districts.** For capital improvements any school district may issue bonds for the acquisition or betterment of school facilities, including gymnasiums, athletic fields, stadia, teacherages, school garages, school buses, and all other facilities for administration, academic instruction, and physical and vocational education.

Subd. 6. **Certain purposes.** Any municipality may issue bonds for paying judgments against it; for refunding outstanding bonds; or for funding floating indebtedness.

History: *RL s 784; 1907 c 297 s 1; 1909 c 261 s 1; 1921 c 209 s 2; 1939 c 223 s 1; 1945 c 126 s 1; 1947 c 296 s 4; 1949 c 682 s 2; 1959 c 42 s 2,3; 1961 c 51 s 1; 1967 c 583 s 4; 1969 c 333 s 5,6; 1973 c 123 art 5 s 7; 1974 c 69 s 1; 1976 c 324 s 3; 1978 c 743 s 17 (1942)*

475.525 MUNICIPAL DISTRICT HEATING BONDS.

Subdivision 1. **General obligation bonds.** A municipality may, by resolution, authorize, issue and sell general obligation bonds or obligations to finance any expenditure by the municipality for the acquisition, construction, expansion, modification or operation of a district heating system and for the purpose of loaning the proceeds of the bonds or obligations to any person, firm or public or private corporation to acquire, construct, expand or modify a district heating system. Except with regard to the net debt limit as provided in section 465.74, subdivision 4, the general obligation bonds or obligations authorized by this subdivision shall be authorized, issued and sold in the same manner and subject only to the same conditions as those provided in chapter 475. When revenues from the operation of a district heating system are pledged to the repayment of the bonds or obligations, the estimated collections of said revenues so pledged may be deducted from the taxes otherwise required to be levied before the issuance of the bonds or obligations under section 475.61, subdivision 1, or the collections thereof may be certified annually to reduce or cancel the initial tax levies in accordance with section 475.61, subdivision 1 or 3.

Subd. 2. **Revenue bonds.** Notwithstanding any other law, general or special, or the provisions of any home rule charter to the contrary, a municipality may, by resolution, authorize, issue and sell revenue bonds or obligations payable solely from all or a portion of revenues derived from a district heating system located wholly or partially within a municipality to finance the acquisition, construction, expansion, modification, or operation of a district heating system and for the purpose of loaning the proceeds of the bonds or obligations to any person, firm or

public or private corporation to acquire, construct, expand or modify a district heating system. The bonds or obligations shall mature as determined by resolution of the municipality and may be issued in one or more series and shall bear such date or dates, bear interest at such rate or rates, be in such denomination or denominations, be in such form either coupon or registered, carry such conversion or registration privileges, have such rank or priority, be executed in such manner, be payable in medium of payment at such place or places, and be subject to such terms of redemption, with or without premium, as such resolution, its trust indenture or mortgage may provide. The bonds or obligations may be sold at public or private sale at the price or prices as the municipality by resolution shall determine, and any provision of any law to the contrary notwithstanding, shall be fully negotiable. In any suit, action, or proceedings involving the validity or enforceability of any bonds or obligations of the municipality or the security therefor, any bond or obligation reciting in substance that it has been issued by the municipality to aid in the acquisition, construction, expansion, modification or operation of a district heating system shall be conclusively deemed to have been issued for such purpose. Neither the municipality nor any council member, officer, employee or agent of the municipality nor any person executing the bonds or obligations shall be liable personally on the bonds or obligations by reason of the issuance thereof. The bonds or obligations may be further secured by a pledge and mortgage of all or any portion of the property in aid of which the bonds or obligations are issued and such covenants as the municipality shall deem by such resolution to be necessary and proper to secure payment of the bonds or obligations. The bonds or obligations, and the bonds or obligations shall so state on their face, shall not be payable from nor charged upon any funds other than the revenues and property pledged or mortgaged to the payment thereof, nor shall the issuing municipality be subject to any liability thereon or have the powers to obligate itself to pay or pay the bonds or obligations from funds other than the revenues and properties pledged and mortgaged and no holder or holders of the bonds or obligations shall ever have the right to compel any exercise of any taxing power of the issuing municipality or any other public body to pay the principal of or interest on any such bonds or obligations, nor to enforce payment thereof against any property of the municipality or other public body other than that expressly pledged or mortgaged for the payment thereof.

Subd. 3. **Redevelopment agency.** A municipality may itself, or by ordinance authorize any redevelopment agency as defined in section 474.02, subdivision 3, acting for the municipality, to exercise any and all of the powers granted to the municipality under subdivision 2 and to the redevelopment agency under any other law for the purpose of financing all or any portion of the district heating system and any conversion facilities for modifying the user's heating or water system to use the heat energy converted from the steam or hot water furnished by the district heating system including, but without limitation, the payment of interest during construction and for a reasonable time thereafter and the establishment of reserves for bond payment and for working capital, in which event if the issuer is a redevelopment agency the sources of revenue that may be pledged to the payment of revenue bonds or obligations shall include any revenues of the redevelopment agency. The proceeds of bonds or obligations issued by the municipality or redevelopment agency may be used to make or purchase loans for facilities which the issuer estimates will require such financing, and, for the purpose of making or purchasing such loans the issuer shall have power to enter into loan agreements and other related agreements, both before and after the issuance of the obligations, with such persons, firms, public or private corporations, federal or state agencies, governmental units, and under such terms and conditions as the issuer shall deem appropriate; and any governmental unit in the

state shall have the power to apply, contract for and receive the loans without limitation under any other provisions of chapter 475.

History: 1981 c 334 s 7; 1Sp1981 c 4 art 4 s 4,5

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 6 2/3 percent of the assessed value.

Subd. 2. [Repealed, 1Sp1981 c 4 art 1 s 193]

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 1 2/3 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 1 2/3 percent of its valuation, it may not incur a net debt in excess of 3 1/3 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 assessed value 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 and of exempt property referred to in section 275.49, 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. The county auditor of each county containing exempt property referred to in section 275.49, situated within any school district, shall certify to the district upon request the total market value of all such property as determined under section 275.49. The commissioner of revenue shall certify to the district upon request the market value of railroad property within the district as most recently determined under section 270.87. Whenever the state equalization aid review committee, in accordance with section 124.2131, subdivision 1, has determined that the assessed valuation 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 and, where applicable, by the commissioner of revenue under section 270.87, 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 2 1/2 percent of the assessed value of the taxable property within the school district.

Subd. 6. **Portion of expenditure for area vocational-technical school.** Only that proportion of the principal amount of obligations issued by a school district or districts for the acquisition or betterment of an area vocational-technical school equal to the percentage of the total principal amount of the obligations which is or would be currently borne by the district, shall be included in calculating the

district's net debt. The commissioner of education shall certify to each district upon request the current percentage of the total principal amount of the obligations which is or would be borne by the district, which certification shall be conclusive in favor of the holders of the obligations as against the district.

History: 1927 c 131 s 2; 1935 c 256; 1937 c 285 s 1; 1943 c 480 s 1; 1945 c 549 s 1; 1947 c 296 s 5; 1949 c 682 s 3; 1955 c 304 s 1; 1955 c 356 s 1; 1955 c 656 s 1; 1957 c 879 s 1; 1961 c 560 s 37; 1965 c 875 s 11; 1969 c 6 s 46; 1969 c 1056 s 10; 1971 c 480 s 1; 1973 c 582 s 3; 1974 c 380 s 2-6; 1979 c 303 art 7 s 14; 1981 c 358 art 1 s 48 (1938-4)

475.533 [Repealed, 1969 c 1056 s 11]

475.54 MATURITIES; REDEMPTION.

Subdivision 1. Except as provided in subdivision 3, all obligations authorized under this chapter shall mature serially in annual or semiannual installments. The first installment shall mature not later than three years from the date of the obligations and the last installment shall mature not more than 30 years from such date. No amount of principal of any obligations payable in any calendar year shall exceed five times the amount of the smallest amount payable in any preceding calendar year ending three years or more after date of issue.

Subd. 2. A serial maturity schedule conforming to subdivision 1 may be established for each new issue of obligations of a municipality, or the governing body may in its discretion adjust such schedule so that the combined maturities of the new issue and any other designated issue or issues will conform to subdivision 1, provided that all such issues are general obligations or all are payable from a common fund. Notwithstanding the provisions of any other general or special law, any school district having an outstanding state loan or loans, if it issues and sells bonds on the public market for any purpose other than refunding such loans, or refunding outstanding bonds as provided in this subdivision shall adjust the schedule of the maturities thereof so that the total amount of principal and interest to become due on these bonds and on all other bonds of the school district, during each of the 30 fiscal or calendar years next following, will be as nearly equal as practicable, provided that the annual amounts of maturing principal may be fixed at multiples of \$5,000. A school district which has an outstanding state loan or loans may refund outstanding bonds, provided that the school loan committee established in section 124.41 approves such refunding. The committee shall approve refunding outstanding bonds only if such refunding results in lower annual debt service payments than the district made prior to the refunding.

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

Subd. 4. Any obligation may be issued reserving the right of redemption and payment thereof prior to maturity, at par and accrued interest or at such premium and at such time or times 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. 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 prior to the date fixed for its redemption.

Subd. 5. [Repealed, 1971 c 903 s 6]

Subd. 6. [Repealed, 1971 c 903 s 6]

Subd. 7. [Repealed, 1971 c 903 s 6]

Subd. 8. [Repealed, 1971 c 903 s 6]

Subd. 9. [Repealed, 1971 c 903 s 6]

Subd. 10. [Repealed, 1971 c 903 s 6]

Subd. 11. [Repealed, 1971 c 903 s 6]

Subd. 12. [Repealed, 1971 c 903 s 6]

Subd. 13. [Repealed, 1971 c 903 s 6]

Subd. 14. [Repealed, 1971 c 903 s 6]

History: 1927 c 131 s 3; 1949 c 682 s 4; 1951 c 422 s 2; 1955 c 179 s 1; 1959 c 687 s 11; Ex1959 c 27 s 11; 1963 c 825 s 1; 1965 c 435 s 1,2; 1967 c 481 s 1,2; 1967 c 583 s 5; 1975 c 432 s 83 (1938-5)

475.55 EXECUTION; NEGOTIABILITY; INTEREST RATES.

Subdivision 1. **Interest; form.** All obligations shall be signed by officers authorized by resolution of the governing body or by persons authorized to sign on behalf of a bank designated by the resolution as authenticating agent, and shall express the amount and the terms of payment. Interest on obligations authorized by resolution before January 1, 1986 shall not exceed the greater of (a) the rate determined pursuant to subdivision 4 for the month in which the resolution authorizing the obligations was adopted, or (b) the rate determined pursuant to subdivision 4 for the month in which the bonds are sold, or (c) the rate of ten percent per annum, payable half yearly. Interest on obligations issued after December 31, 1985, shall not exceed nine percent per year. All obligations shall be negotiable investment securities as provided in the uniform commercial code, chapter 336, article 8. The validity of an obligation shall not be impaired by the fact that one or more officers authorized to execute it shall have ceased to be in office before delivery to the purchaser or shall not have been in office on the formal issue date of the obligation. Every obligation shall be signed manually by one officer or authenticating agent. Other signatures and the seal of the issuer may be printed, lithographed, stamped or engraved thereon and on any interest coupons to be attached thereto. The seal need not be used.

Subd. 2. **Supersession.** The provisions of this section shall supersede any maximum interest rate fixed by any other law or a city charter with respect to obligations of the state or any municipality or governmental or public subdivision, district, corporation, commission, board, council, or authority of whatsoever kind, including warrants or orders issued in evidence of allowed claims for property or services furnished to the issuer, but shall not limit the interest on any obligation issued pursuant to a law or charter authorizing the issuer to determine the rate or rates of interest.

Subd. 3. **Special assessments.** Notwithstanding any contrary provisions of law or charter, special assessments pledged to the payment of obligations may bear interest at the rate the governing body by resolution determines, not exceeding the greater of (a) the maximum interest rate per annum which the obligations may bear under the provisions of this section for the month in which the resolution

authorizing the special assessment was adopted or (b) the maximum interest rate permitted to be charged against the assessments under the law or city charter pursuant to which the assessments were levied.

Subd. 4. **Rate determination.** On or before the 20th day of each month prior to December, 1985, the commissioner of finance shall determine the most recently published yield for the Bond Buyer's Index of 20 Municipals. This rate plus one percent and rounded to the next highest percent per annum shall be the rate for the next succeeding month. The commissioner of finance shall publish the maximum rate in the state register each month.

Subd. 5. **Interest.** Obligations which are payable wholly or partly from the proceeds of special assessments or which are not secured by general obligations of the municipality may bear interest at a rate one percent greater than the maximum interest rate permitted pursuant to subdivision 1.

History: *RL s 781; 1947 c 296 s 3; 1949 c 682 s 5; 1951 c 422 s 3; 1969 c 93 s 1; 1971 c 903 s 2; 1976 c 324 s 4; 1980 c 607 art 8 s 2; 1982 c 523 art 3 s 2; 1982 c 642 s 19 (1939)*

475.551 EXCESSIVE INTEREST, VALIDATION.

In all cases where obligations have been or shall hereafter be issued and sold upon terms and conditions conforming to the provisions of section 475.55, and otherwise in conformity with law, such issuance and sale are hereby authorized, legalized and validated.

History: *1969 c 93 s 2*

475.552 [Repealed, 1971 c 903 s 6]

475.553 PAYING AGENT; DESTRUCTION OF OBLIGATIONS AND COUPONS.

Subdivision 1. The governing body may appoint as paying agent for an issue of obligations one or more national banks, or banks incorporated under the laws of any state, provided that no bank shall be appointed as paying agent for obligations of any issuer except one within whose corporate limits the principal office of the bank is situated, unless it is authorized to execute corporate trust powers pursuant to the laws under which it is organized; and the governing body may direct the treasurer to remit funds for payment of both principal and interest to such paying agent although such paying agent has not complied with statutes relating to public depositories. It may also direct the county treasurer to remit any proceeds from assessments or taxes levied for payment of obligations directly to such paying agent. In such case, the county treasurer shall furnish a duplicate statement of each remittance to the treasurer of the municipality who shall enter the amount on his books.

Subd. 2. The governing body may by resolution direct that all bonds, obligations, coupons appertaining thereto, or any specified obligations or coupons, when paid, shall be cancelled by the paying agent and destroyed as herein provided. Before such authority is granted, the municipality shall enter into an agreement with a bank or banking association incorporated under the laws of the United States or of any state and authorized by such laws to exercise corporate trust powers, specifying (a) the obligations and coupons to be destroyed, (b) the method of destruction, (c) the information to be recorded in a certificate of destruction to be delivered to the municipality and the paying agent, (d) the indemnification of the municipality in the event of duplicate payment, wrongful and improper payment to unauthorized persons and nonpayment to authorized persons occurring as a result of any destruction of bonds, obligations, or coupons,

and (e) such other terms and conditions as may be determined by the governing body of such municipality. Obligations and coupons may be destroyed by cremation, shredding, or any other effective means.

Subd. 3. Certificates provided under subdivision 2 shall be retained in the official records of the municipality and the paying agent. Such certificates may subsequently be destroyed at the times and upon the conditions otherwise permitted by law, but no earlier than the time of final payment and redemption of all obligations of the respective issues to which they pertain.

Subd. 4. [Repealed, 1976 c 324 s 27]

Subd. 5. Any obligation, as defined in section 475.51, issued or to be issued by the state or any agency, instrumentality, or subdivision thereof, by written order and agreement executed by the officer or officers authorized by law to issue such obligations, may be destroyed as provided herein, and for this purpose such officers shall have all the powers granted herein to governing bodies of municipalities. The state auditor, pursuant to the administrative procedures act, may formulate and prescribe requirements for resolutions, orders, agreements, and certificates relating to the destruction of public obligations and coupons. The provisions of any other law relating to the destruction of public records shall not apply to the destruction of obligations and coupons.

History: 1951 c 422 s 10; 1953 c 64 s 1; 1963 c 833 s 1; 1973 c 492 s 7; 1976 c 324 s 5-8

475.56 INTEREST RATE.

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.

History: 1933 c 171; 1949 c 682 s 6; 1959 c 36 s 1; 1963 c 829 s 1; 1967 c 481 s 3; 1974 c 380 s 7 (1938-2 1/2)

475.57 INITIATION OF PROCEEDINGS; RESOLUTION.

Proceedings for issuing bonds under sections 475.51 to 475.75 shall be initiated by a resolution of the governing body of the municipality stating the amount proposed to be borrowed and the purpose for which the debt is to be incurred. Such resolution may provide for the submission of the question to vote of the electors. A town board may adopt such resolution without a statement for special town meeting being filed with the clerk.

History: 1949 c 682 s 7

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

Subd. 1a. **Resubmission limitation.** If the electors do not approve the issuing of obligations at an election required by subdivision 1, the question of authorizing the obligations for the same purpose and in the same amount may not be submitted to the electors within a period of 180 days from the date the election was held. If the question of authorizing the obligations for the same purpose and in the same amount is not approved a second time it may not be submitted to the electors within a period of one year after the second election.

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 $6 \frac{2}{3}$ percent of its assessed value 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: 1927 c 131 s 4; 1949 c 682 s 8; 1951 c 422 s 4; 1955 c 298 s 1; 1969 c 446 s 1; 1971 c 886 s 1; 1971 c 903 s 3; 1973 c 123 art 5 s 7; 1974 c 380 s 8,9 (1938-6)

475.59 MANNER OF SUBMISSION; NOTICE.

When the governing body of a municipality resolved to issue bonds for any purpose requiring the approval of the electors, it shall provide for submission of the proposition of their issuance at a general or special election or town or school

district meeting. Notice of such election or meeting shall be given in the manner required by law and shall state the maximum amount and the purpose of the proposed issue. In any school district, the school board or board of education may, according to its judgment and discretion, submit as a single ballot question or as two or more separate questions in the notice of election and ballots the proposition of their issuance for any one or more of the following, stated conjunctively or in the alternative: acquisition or enlargement of sites, acquisition, betterment, erection, furnishing, equipping of one or more new schoolhouses, remodeling, repairing, improving, adding to, betterment, furnishing, equipping of one or more existing schoolhouses.

History: 1949 c 682 s 9; 1957 c 318 s 1

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, 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 \$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; and

(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.

Subd. 3. Published notice. Published notice, where required, shall specify the principal amount of the obligations, the time and 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 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, 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.

Subd. 4. **Public subscription.** In lieu of calling for bids, obligations may be sold on public subscription, after notice given in the manner required for public sale. Such notice of call for public subscription shall specify the interest rate and all terms of sale, including the date and place of delivery of the obligations.

Subd. 5. **Compliance mandatory.** No contract for the sale and delivery of obligations shall be enforceable unless made in accordance with this section.

Subd. 6. **Prohibitions and penalties.** Any officer of any municipality who shall enter into or approve any contract or agreement for the sale of obligations contrary to the provisions hereof or which lessens, restricts or tends to prevent competitive bidding shall be guilty of a misdemeanor.

History: 1949 c 682 s 10; 1965 c 583 s 1; 1971 c 903 s 4; 1976 c 324 s 9,10; 1978 c 764 s 128; 1980 c 607 art 8 s 3; 1982 c 523 art 3 s 3

475.61 TAX LEVIES.

Subdivision 1. **Debt service resolution.** The governing body of any municipality issuing general obligations shall, prior to delivery of the obligations, levy by resolution a direct general ad valorem tax upon all taxable property in the municipality to be spread upon the tax rolls for each year of the term of the obligations. The tax levies for all years for municipalities other than school districts shall be specified and such that if collected in full they, together with estimated collections of special assessments and other revenues pledged for the payment of said obligations, will produce at least five percent in excess of the amount needed to meet when due the principal and interest payments on the obligations. The tax levies for school districts shall be specified and such that if collected in full they, together with estimated collection of other revenues pledged for the payment of the obligations, will produce between five and six percent in excess of the amount needed to meet when due the principal and interest payments on the obligations; except that, with the permission of the commissioner of education, a school board may specify a tax levy in a higher amount if necessary because of anticipated tax delinquency. Such resolution shall irrevocably appropriate the taxes so levied and any special assessments or other revenues so pledged to the municipality's debt service fund or a special debt service fund or account created for the payment of one or more issues of obligations. The governing body may, in its discretion, at any time after the obligations have been authorized, adopt a resolution levying only a portion of such taxes, to be filed, assessed, extended, collected, and remitted as hereinafter provided, and the amount or amounts therein levied shall be credited against the tax required to be levied prior to delivery of the obligations.

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 he has entered the obligations 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 assessed value of taxable property in that part of the municipality located in his county bears to the assessed value of all taxable property in the municipality.

Subd. 3. **Irrevocability.** Tax levies so made and filed shall be irrevocable, except as provided in this subdivision.

In each year when there is on hand any excess amount in the debt service fund of a school district at the time the district makes its property tax levies, the amount of the excess shall be certified by the school board to the county auditor and the auditor shall reduce the tax levy otherwise to be included in the rolls next prepared by the amount certified, unless the school board determines that the excess amount is necessary to ensure the prompt and full payment of the obligations and any call premium on the obligations, or will be used for redemption of the obligations in accordance with their terms. An amount shall be presumed to be excess for a school district in the amount that it, together with the levy required by subdivision 1, will exceed 106 percent in excess of the amount needed to meet when due the principal and interest payments on the obligations due before the second following July 1. This subdivision shall not limit a school board's authority to specify a tax levy in a higher amount if necessary because of anticipated tax delinquency.

If the governing body, including the governing body of a school district, in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

Subd. 4. **Surplus funds.** All such taxes shall be collected and remitted to the municipality by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of which levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality. However, the amount of any surplus remaining in the debt service fund of a school district when the obligations and interest thereon are paid shall be used to reduce the maintenance levy authorized pursuant to section 275.125, subdivision 2a except that from July 1, 1982 to June 30, 1983, a school district which has discontinued its levy for debt service may transfer to its general fund the amount of any surplus remaining in its debt service fund when the obligations and interest thereon are paid or when an escrow account for defeasance of the entire amount of the obligations and interest thereon has been established.

Subd. 5. When all conditions exist precedent to the offering for sale of obligations of any municipality in any amount for any purpose authorized by law, and the municipality has applied for a grant or loan of state or federal funds to aid in payment of cost incurred for the authorized purpose, its governing body may by resolution issue and sell temporary obligations not exceeding the total amount authorized, maturing within not more than three years from the date such obligations are issued. In this event so much of the proceeds of the grant or loan when received shall be credited to the debt service fund for the temporary obligations as may be needed for the payment thereof, with interest, when due, and the tax which would otherwise be required by subdivision 1 need not be levied. Any amount of the temporary obligations which cannot be paid at maturity, from the proceeds of the grant or loan or from any other funds appropriated by the governing body for the purpose, shall be paid from the proceeds of definitive obligations to be issued and sold before the maturity date;

MINNESOTA STATUTES 1982

475.61 PUBLIC INDEBTEDNESS

8168

or if sufficient funds are not available for payment in full of the temporary obligations at maturity, the holders thereof shall have the right to require the issuance in exchange therefor of definitive obligations secured in the manner provided in subdivision 1 and bearing interest at the maximum rate permitted by law.

History: 1949 c 682 s 11; 1951 c 422 s 5; 1955 c 811 s 8; 1957 c 187 s 1; 1961 c 673 s 1; 1974 c 380 s 10; 1976 c 324 s 11,26; 1977 c 447 art 7 s 27; 1982 c 548 art 4 s 16-18; 1982 c 642 s 2

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 assessed valuation of the taxable property within the school district.

History: 1927 c 131 s 6; 1949 c 682 s 12; 1965 c 875 s 12 (1938-8)

475.63 CERTIFICATE AS TO REGISTRATION.

Before any obligations shall be delivered to the purchaser, the municipality shall obtain and deliver to the purchaser a certificate of the county auditor that the issue has been entered on his register. If a tax levy is required by law, such certificate shall also recite that such tax has been levied as required by law.

History: 1927 c 131 s 7; 1949 c 682 s 13; 1951 c 422 s 6 (1938-9)

475.64 LEVY BY AUDITOR.

In the event no method of levying a tax for the payment of the indebtedness of any municipality and the interest thereon is provided, or the municipal authorities fail to cause such levy to be made, the county auditor shall add to the other taxes charged upon the property taxable in the municipality an amount sufficient to meet such obligations when due, which additional levy shall be extended and collected with the other taxes of the year.

History: RL s 787; 1949 c 682 s 14 (1945)

475.65 DELIVERY OF BONDS; USE OF PROCEEDS.

Upon payment to the treasurer of the purchase price by the successful bidder, the obligations shall be delivered, and the treasurer shall account for the receipt and disbursement of the proceeds thereof for the use named in the resolution or other instrument or instruments authorizing such obligations, in a separate fund or account in the official financial records of the municipality. Pending such use the proceeds may be invested and reinvested in accordance with law, and the income and gain therefrom shall be held as part of the proceeds and applied to such use or to the payment of the obligations and interest thereon or otherwise as provided in any city charter or any other law. The purchaser shall not be obligated to see to the application of the purchase price. When the use authorized is the acquisition or betterment of any land, easements, buildings, structures, machinery, or equipment, the proceeds may be used to pay all expenses, incurred and to be incurred, which are reasonably necessary and incidental to such acquisition or betterment, including, but without limitation, the cost of necessary professional planning studies to determine desirable locations, architectural, engineering, legal, financial advisory, and other professional services, printing and publication, and interest to accrue on the obligations prior to the anticipated date of commencement of the collection of taxes or special assessments to be levied or other funds pledged for the payment of the obligations and interest thereon. When the obligations are payable wholly from the income from a utility or other project, for the acquisition or betterment of which the obligations are issued, the proceeds may be used in part to establish a reserve as further security for the payment of such principal and interest when due. If the contemplated use be afterward abandoned, or if any balance of the proceeds of the obligations remains after the use is accomplished, such fund may be devoted to any other public use authorized by law, and approved by resolution adopted or vote taken in the manner required to authorize bonds for such new use and purpose. Any balance remaining after the improvement has been completed and paid for, unless devoted to a new use as herein authorized, shall become a part of the debt service fund of the municipality.

History: *RL s 786; 1949 c 682 s 15; 1967 c 481 s 4; 1969 c 183 s 1; 1976 c 324 s 12,26 (1944)*

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 reporting dealer to the federal reserve bank of New York.

Subd. 2. Investments may be held in safekeeping with any federal reserve bank, 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, or a reporting dealer to the federal reserve bank of New York, provided that the municipality's ownership of all securities in which the fund is invested is evidenced by written acknowledgments identifying the securities by the names of the issuers, maturity dates, interest rates, and serial numbers or other distinguishing marks.

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 in any security which is a direct obligation of or is guaranteed as to payment of principal and interest by the United States or any agency or instrumentality of the United States, or in shares of an investment company registered under the federal investment company act of 1940, whose shares are registered under the federal securities act of 1933, and whose only investments are in securities described in the preceding clause, or in any security which is a general obligation of the state of Minnesota or any of its municipalities. 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.

Subd. 4. Any obligation held in the debt service fund from which it is payable may be cancelled at any time unless otherwise provided in a resolution or other instrument securing obligations payable from the fund.

History: 1927 c 131 s 9; 1949 c 682 s 16; 1951 c 422 s 7; 1955 c 179 s 2; 1961 c 96 s 1; 1965 c 300 s 1; 1971 c 504 s 1; 1974 c 25 s 1; 1974 c 380 s 11; 1976 c 324 s 13,26; 1977 c 127 s 1,2 (1938-11)

475.67 REFUNDING BONDS AND OTHER OBLIGATIONS; VALIDITY; PROCEDURE.

Subdivision 1. No purchaser or owner of bonds or other obligations issued by a municipality for the purpose of refunding its outstanding obligations or floating indebtedness need inquire into the validity of the debts refunded by such bonds or other obligations. The determination by resolution of the governing body to issue the bonds or other obligations of the municipality for such purpose, as to such purchaser or owner, shall be conclusive evidence of the validity of the debts thereby refunded.

Subd. 2. As between the municipality and the owner or holder of any bond, warrant, or order so refunded, nothing in this section validates any invalid bond, warrant, or order.

Subd. 3. Obligations and interest thereon may be refunded if and when and to the extent that for any reason the taxes or special assessments, revenues, or other funds appropriated for their payment are not sufficient to pay all principal and interest due or about to become due thereon. All obligations of one or more issues regardless of their source of payment and interest thereon may be refunded before their due dates, if consistent with covenants made with the holders thereof, when determined by the governing body to be necessary or desirable for the reduction of debt service cost to the municipality or for the extension or adjust-

ment of the maturities in relation to the resources available for their payment, or in the case of obligations payable solely from a special fund, for the more advantageous sale of additional obligations payable from the same fund or to relieve the municipality of restrictions imposed by covenants made with the holders of the obligations to be refunded; provided the amount of interest which may be refunded from the proceeds of the refunding obligations shall not exceed the amount of proceeds estimated to be required in excess of the principal amount of refunded obligations to retire the refunded obligations in accordance with subdivision 6, but in no event shall the aggregate principal amount of the refunding obligations exceed by more than ten percent the aggregate principal amount of the obligations to be refunded. No general obligations, for which the full faith and credit of the issuer is pledged, shall be issued to refund special obligations previously issued for any purpose, payable solely from a special fund, unless such issuance is authorized by such election, hearing, petition, resolution, or other procedure as would have been required as a condition precedent to the original issuance of general obligations for the same purpose.

Subd. 4. Refunding obligations shall not be issued and sold more than six months before the date on which all obligations to be refunded thereby will have matured or have been called for redemption in accordance with their terms, unless the actions and conditions described in the following subdivisions of this section are taken or exist at or before the time when the refunding obligations are delivered to the purchasers.

Subd. 5. The proceeds of the refunding obligations, less any accrued interest or premium thereon required to be taken into account for purposes of meeting the debt service savings test set forth in subdivision 12 or otherwise deposited in the debt service fund established for the refunding obligations, less any amount set aside to pay the expenses of the refunding described in subdivision 12, shall be deposited, together with any other funds available and appropriated by the governing body for the purpose, in escrow with a suitable banking institution within or without the state, whose deposits are insured by the Federal Deposit Insurance Corporation, and whose combined capital and surplus is not less than \$500,000.

Subd. 6. The funds so deposited shall be invested in securities maturing or callable at the option of the holder on such dates and bearing interest at such rates as shall be required to provide funds sufficient, with any cash retained in the escrow account, to pay when due the interest to accrue on each obligation refunded to its maturity or, if prepayable and called for redemption, the earlier date on which it is called for redemption, and to pay the principal amount of each such obligation at maturity or, if prepayable and called for redemption, at such earlier redemption date, and to pay any premium required for redemption on that date; and the governing body shall irrevocably appropriate for these purposes the escrow account and all payments of principal and interest on the securities deposited therein, provided that any funds in the escrow account in excess of the amounts from time to time needed for the foregoing purposes may be remitted to the municipality.

Subd. 7. Provision shall be made for notice of the call of any refunded obligations to be redeemed before maturity to be given in accordance with their terms, and in accordance with section 475.54, subdivision 4, no later than 30 days after issuance of the refunding obligations.

Subd. 8. Securities purchased for the escrow account shall be limited to general obligations of the United States, securities whose principal and interest payments are guaranteed by the United States, and securities issued by the following agencies of the United States: Banks for Cooperatives, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Land Banks, and the Federal National Mortgage Association.

Subd. 9. The municipality shall enter into an agreement with the banking institution acting as escrow agent under which the agent shall acknowledge receipt of the cash and securities and their sufficiency to comply with the requirements of this section, and shall agree to hold them, and all money received in payment of principal and interest on the securities, in a special trust account, and to remit from this account to each paying agent for the refunded obligations sufficient funds to pay the principal and interest due thereon at each maturity, interest payment date, and redemption date. The agent may be directed to reinvest the balance held in the account from time to time in other securities of the kinds authorized in this section, maturing or subject to redemption at the times and in the amounts required to meet all payments of principal and interest when due on the refunded obligations, which securities may be purchased from its own investment department at prices not higher than those at which similar securities are currently being sold by it to others.

Subd. 10. The escrow agent shall be directed to cause notice of the call of the refunded obligations which are to be prepaid to be republished not more than 90 nor less than 45 days before the date fixed for their redemption, in the manner provided in subdivision 7; but failure to republish shall not affect the validity of the call for redemption.

Subd. 11. When advance refunding obligations have been issued pursuant to subdivisions 4 to 10, they shall not be refunded by the issuance of similar advance refunding obligations pursuant to these subdivisions until and unless either (i) as a result of the refunding the average life of the maturities is extended at least five years or (ii) all of the original obligations refunded have been actually retired by payment or by deposit at their respective maturities or redemption dates of sufficient funds.

Subd. 12. In the refunding of general obligations, for which the full faith and credit of the issuing municipality has been pledged, the following additional conditions shall be observed: each such obligation, if repayable, shall be called for redemption prior to its maturity in accordance with its terms no later than either (i) the earliest date on which it may be redeemed without payment of any premium, or (ii) if the obligation is only prepayable with payment of a premium, on the earliest date on which it may be redeemed with payment of the least premium required by its terms. No refunding obligations shall be issued and sold more than six months before the refunded obligations mature or are called for redemption in accordance with their terms, unless either (i) as a result of the refunding the average life of the maturities is extended at least five years or (ii) as of the nominal date of the refunding obligations the dollar amount of the debt service or interest only on the refunding obligations, computed to their stated maturity dates, after deducting any premium or adding any discount, is lower by at least five percent than the dollar amount of debt service or interest only, as the case may be, on all general obligations refunded, exclusive of any premium or discount, computed to their stated maturity dates; provided that in computing the dollar amount of debt service or interest only on the refunding obligations, any expenses of the refunding payable from a source other than the proceeds of the refunding obligations or the interest derived from the investment thereof shall be added to the dollar amount of debt service or interest only on the refunding obligations. Expenses of the refunding include the amount, if any, in excess of the proceeds of the refunding obligations or the principal amount of obligations to be refunded, whichever is the greater, which is required to be deposited in escrow to provide cash and purchase securities sufficient to retire the refunded obligations and unaccrued interest thereon in accordance with subdivision 6; charges of the escrow agent and of the paying agent for the refunding obligations; and expenses

of printing and publications and of fiscal, legal, or other professional service necessarily incurred in the issuance of the refunding obligations.

History: 1921 c 185 s 1,2; 1933 c 232 s 2; 1949 c 682 s 17; 1971 c 903 s 5; 1973 c 494 s 13; 1976 c 324 s 14,15; 1978 c 521 s 1 (1946-1, 1946-2)

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 assessed valuation 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: 1909 c 254 s 1; 1949 c 682 s 18; 1973 c 123 art 5 s 7; 1973 c 582 s 3 (1953)

475.69 DEFACED BONDS; DUPLICATES.

When any obligation of a municipality becomes unfit for circulation, it may be surrendered and canceled. Upon the authorization of the governing body, a duplicate of the obligation except as to signatures and a duplicate of any unpaid coupons, may be issued to the owners. These duplicates shall be marked "DUPLICATE" and the date of issue shown thereon. Such marking shall be signed by the treasurer then in office.

History: *RL* s 791; 1949 c 682 s 19 (1970)

475.70 LOST INSTRUMENTS; INDEMNITY.

If the owner of any obligation which is destroyed or lost, first gives a satisfactory surety bond to the municipality, in a sum double the amount of such obligation, conditioned to save it harmless in the premises, the governing body thereof may authorize the issuance of another to the owner in its place, corresponding with the missing obligation as to number, date, amount, and unpaid coupons. Such obligation shall be signed by the proper officials who are then in office, and shall be marked and dated as provided in section 475.69. The treasurer shall keep a record of all reissues and duplicates showing the date of issue and the persons to whom issued.

History: *RL* s 792; 1949 c 682 s 20 (1971)

475.71 REGISTRATION OF BONDS.

The governing body of any municipality may, by resolution, ordinance, or trust indenture authorize the issuance of obligations in registered or bearer form, or in form permitting registration as to principal only, and may provide for the registration of transfer or exchange of such obligations by an officer of the municipality or an authenticating trustee, transfer agent, or registrar, upon the terms and conditions and with the force and effect provided in sections 336.8-101 to 336.8-406.

History: *RL* s 782; 1923 c 313; 1949 c 682 s 21; 1974 c 380 s 12 (1940)

475.72 VIOLATIONS AND PENALTIES.

Any officer of any municipality who knowingly fails to comply with any provision of Laws 1949, Chapter 682 is guilty of a misdemeanor.

History: 1927 c 131 s 10; 1949 c 682 s 22 (1938-12)

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 assessed valuation 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 his 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 assessed valuation of the territory affected by such obligations. Any such 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: 1949 c 682 s 23; 1973 c 492 s 14; 1980 c 607 art 14 s 44

475.74 PER CAPITA LIMITATION NOT APPLICABLE.

The provisions of any law limiting taxes on a per capita basis or otherwise shall not limit the power of any city of the first or second class or any independent school district in any city of the first class, or any special school district in a city of the second class having a population of not less than 28,000 nor more than 32,000 according to the 1950 federal census, to levy taxes to pay its general obligation bonds nor shall such provisions limit the power of any municipality to levy taxes to make good any deficiency in any prior levies made pursuant to section 475.61. The governing body shall levy such taxes without limitation as to rate or amount.

History: 1949 c 682 s 24; 1951 c 422 s 8; 1957 c 43 s 1; 1957 c 743 s 1

475.75 EFFECTIVE DATE.

Subdivision 1. Except as provided in subdivision 2, sections 475.51 to 475.75 shall be in full force and effect on and after July 1, 1949. Notwithstanding any amendment or repeal of existing laws by sections 475.51 to 475.75, any municipality which has theretofore commenced any proceedings for the authorization or issuance of bonds or other obligations may complete such proceedings either under such laws as in force prior to July 1, 1949, or under such laws as hereby amended, as determined by its governing body.

Subd. 2. The provisions of section 475.74 shall apply to bonds or other obligations issued pursuant to proceedings heretofore commenced.

History: 1949 c 682 s 25

475.753 MUNICIPALITIES ARE SUBJECT TO CHAPTER 475.

All municipalities are subject to the provisions of Minnesota Statutes, Chapter 475, in the issuance of obligations and may incur indebtedness to the extent of but not in excess of the debt limit in said chapter notwithstanding any home rule charter provision or charter law adopted prior to April 1, 1951. Nothing herein shall prevent the adoption after that date of additional debt limitations or restrictions. This section shall not be deemed to amend or otherwise affect or change Minnesota Statutes, Section 475.53, Subdivision 3.

History: 1951 c 422 s 9

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 banking 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 sections 273.13, subdivisions 6 and 7; and 275.50, subdivision 5, clause (h). The certificates shall not be included in the net debt of the issuing city, county or town.

History: 1973 c 61 s 1; 1973 c 123 art 5 s 7; 1973 c 492 s 7

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 reporting dealer to the federal reserve bank of New York.

Subd. 2. Reverse repurchase agreements shall not be included in computing the net debt of a municipality, 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. 3. Reverse repurchase agreements shall be made on behalf of the municipality only by its treasurer or other officer designated pursuant to law or charter as custodian of funds and securities held by it, or by a deputy of the officer, when authorized by a resolution of its governing body, and subject to any limitations imposed by the governing body. They may be made in writing or orally, provided that confirmation of an oral agreement is made by the other party by wire or in writing transmitted or mailed within one business day thereafter. The agreement or confirmation shall state the sale date and price, the repurchase date and price, and the issuer, designation, principal amount, coupon interest rate, if any, maturity date, and redemption date, if any, of the security.

Subd. 4. In the event of failure by a bank or dealer to redeliver a security under a reverse repurchase agreement upon tender of the repurchase price by the municipality at the repurchase date, the obligation of the municipality to repurchase shall cease, and the bank or dealer shall be liable to the municipality for any amount by which the market price of the security at that date exceeds the repurchase price. In the event of failure by a municipality to tender the repurchase price when due under an agreement, the obligation of the bank or dealer to redeliver shall cease, and the municipality shall be liable to the bank or dealer for any amount by which the repurchase price exceeds the market price of the security at the repurchase date. The market price of a security for the purpose of this subdivision shall be deemed to be the average of bid prices quoted, as of the pertinent date, by two or more banks or dealers referred to in subdivision 1, other than the purchaser. Any amount for which either party to a reverse repurchase agreement is liable under the provisions of this subdivision shall be recoverable by action, and may be offset against any existing or subsequent liability owed to the defaulting party, other than a liability of a bank as trustee, custodian, paying agent, or other fiduciary. Any amount for which the municipality becomes liable shall be included in computing its net debt, whether or not it causes the net debt of the municipality to exceed any limit otherwise applicable.

Subd. 5. Reverse repurchase agreements entered into in accordance with the foregoing provisions shall be valid and binding, whether or not they conform to the following limitations. However, the execution of an agreement that does not conform constitutes misconduct on the part of the responsible officer, subject to a penalty as provided in section 609.43, if the term of the agreement exceeds:

(a) A period of 30 consecutive days, including the sale date but not including the repurchase date; or

(b) A period which, with the aggregate periods of all agreements made within the preceding 12 months with respect to one security or two or more identical securities, exceeds 90 days, whether or not the period from the first sale to the last repurchase exceeds 12 months.

History: 1977 c 259 s 2