

House Research Act Summary

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TOPIC: Public Finance Bill

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Overview

This act makes a variety of changes in the powers of local governments to issue bonds and incur other forms of debt. The metropolitan council is authorized to issue up to \$54 million of bonds for transit. Municipalities are authorized to issue bonds without referendum under street reconstruction programs.

The act also includes several special law provisions granting or changing financing powers for individual local units of government. These include the following units of local government:

- Alexandria Lakes Area Economic Development Authority
- Anoka County bonding for radio system
- Cook County Hospital District
- Hennepin and Ramsey Counties (extension of mortgage registry tax for Environmental Response Fund for five years)
- Itasca and Koochiching County (increases spending limit for tourism and other uses)
- Region Nine Development Commission (allowing establishment of nonprofit corporation)
- St. Louis County (modifies uses of tax forfeited land proceeds)
- St. Paul (capital improvement bonding program extension for 10 years)

- St. Paul library agency (allows establishment of agency)
- South St. Paul (permit land transfer)
- Southwestern Regional Development Commission (debt for Prairie Expo Project)
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1 **Eminent domain; residency of commissioners.** Eliminates the requirement that commissioners appointed to make determinations in eminent domain proceedings must be residents of the county.

2 **St. Paul, truth-in-taxation.** Requires the St. Paul city levy for its library agency to be listed separately on the Truth in Taxation proposed notice.

3 **Ramsey county, mortgage registry tax.** Extends the authority for Ramsey County to impose a mortgage registry and deed taxes for five years (through 2008). Ramsey County has not exercised this authority. Under prior law, the authority to impose this tax would have expired on January 1, 2003. These taxes equal 0.01 percent of the principal amount (for the mortgage registry tax) and deed amount (for the deed tax).

4 **Hennepin county, mortgage registry tax.** Extends the Hennepin County mortgage registry and deed taxes that fund the Environmental Response Fund (ERF) for five years (through 2008). Under prior law, the authority to impose this tax would have expired January 1, 2003. These taxes equal 0.01 percent of the principal amount (for the mortgage registry tax) and deed amount (for the deed tax).

5 **Loans from USDA Rural Business-Cooperative Service or Rural Housing Authority.** Expands this loan authority by increasing the maximum loan from \$250,000 to \$450,000 and by permitting additional uses for these loans including:

- city halls
- libraries
- child care facilities

Background. These loans are made from funds provided by rural electric cooperatives and are at low or no interest. As under prior law, these loans are not subject to voter approval or net debt limits.

6 **Eminent domain; HRAs.** Requires that before adoption of a resolution authorizing acquisition of property under the eminent domain law, the governing body of the authority must hold a public hearing after published notice describing the property to be acquired.

7 **Housing bonds, maximum term.** Extends the maximum term of housing revenue bonds from 30 years from issuance of the bonds to 30 years from the estimated date of completion of the project.

8 **EDA bonds maximum term.** Extends the maximum term of economic development authority (EDA) bonds from 20 years to 30 years.

Related public improvements. Defines "related public improvements" for purposes of the industrial revenue bond law. These improvements are acquired, constructed, and financed by the contracting party under the bonds' revenue agreement.

10 **IRBs for related public improvements.** Authorizes issuing industrial revenue bonds for related public improvements.

11 **Refinancing nonprofit facilities.** Authorizes issuance of revenue bonds to refinance facilities of

501(c)(3) nonprofit organizations that primarily engage in:

Educational activities as schools

Arts organizations

Social service organizations.

Prior law limited the authority to refinance to health care and related facilities.

12 **Related improvements, revenue agreement.** Authorizes municipality issuing IRBs to enter into revenue agreements for related public improvements.

13 **Related improvements, cost of project.** Adds related public improvements to the permitted cost of an IRB project.

14 **Extraterritorial projects.** Prohibits a municipality or an authority from issuing bonds to acquire or improve property outside of the issuers' corporate boundaries. Exceptions to the prohibition are provided if:

The issuer is the owner of the project.

The governing body of the city (or the county for unincorporated areas or for property in more than one city or town) consents, by resolution, to the issuance.

Bonds are issued under a joint powers agreement, if the property is within the boundaries of one or more of the parties to the agreement.

The properties are municipal public utility properties.

The issuers is a municipal power or municipal gas agency.

The prohibition applies to cities, counties, school districts, housing and redevelopment authorities, economic development authorities, port authorities, rural development authorities, and similar entities.

Effective date. Effective for obligations issued or sold after June 30, 2002.

15 **Priority for liveable communities projects.** Authorizes the Metropolitan Council to give priority in making grants from the liveable communities fund to projects that will lead to the production of affordable housing.

16 **Transit bonds.** Authorizes the metropolitan council to issue up to \$54 million of bonds for capital expenditures in its regional transit master plan and capital improvement plan. These bonds may not be used for computer software or for light rail or commuter rail.

17 **Application.** Sections 15 and 16 apply in the seven Twin Cities metropolitan counties.

18 **Street reconstruction bonds.** Authorizes issuance of obligations without an election for reconstruction of streets, if the bonds are issued under a 5-year street reconstruction plan. To qualify for the referendum exemption, the following qualifications must be met:

The street reconstruction plan must be approved unanimously by the governing body after a public hearing.

Approval of the bond issuance must be made by a unanimous vote of the governing body.

Issuance of the bonds is subject to referendum approval, if a petition signed by voters equal to 5% of the voters in the last general election within 30 days after the public hearing.

The bonds are subject to the debt limits, even if they would be exempt under another law (e.g., because they were payable from special assessments).

19 **Referendum exemption, jails.** Clarifies that jail bonds may be issued without voter approval.

20 **Itasca county.** Increases Itasca county's per capita spending limit for promoting tourism and

agricultural and industrial development from \$4 to \$10.

21 **Koochiching county.** Increases Koochiching county's per capita spending limit for promoting tourism and agricultural and industrial development from \$4 to \$10.

22 **Southwest Regional Development Commission; levy for debt.** Authorizes an additional property tax levy for the Southwest Regional Development Commission through taxes payable in 2011 in an amount sufficient to retire its remaining debt in connection with the Prairie Expo project in Worthington. The maximum amount of the levy is limited to \$232,080 per year. The commission may issue bonds or other obligations to retire the debt sooner, and that the levy authorized in this section may be used for the debt service on those bonds or obligations. The maximum amount of bonds is limited to \$1,632,224.

Effective date; local approval. This section is effective only upon local approval by the Regional Development Commission and by each of the counties in the commission.

23 **St. Paul, CIP bonding program.** Extends the city of St. Paul's five-year capital improvement bonding program for 10 years. The authority under prior law to issue these bonds expired in 2003. The maximum aggregate principal amount of bonds that the city may issue is \$20 million per year, the same level permitted under prior law for 2003.

24 **Cook county; hospital district.**

Subd. 1. Creation; referendum. No change.

Subd. 2. Operation of district. Strikes references to old hospital district law that was repealed as obsolete in 1996 and adds a reference to the current hospital district law.

Subd. 3. Board. Provides for the hospital district board to appoint a member to fill a vacancy, instead of the county board. Clarifies that the person elected at the next general election to the position filled by appointment serves either for a full term if the seat would have been up for election that year, or for the remainder of that seat's term. Replaces references to old hospital district law that was repealed as obsolete in 1996 with a reference to the current hospital district law.

Subd. 4. Tax levy. Corrects a statutory cross reference to the hospital district levy authority.

Subd. 5. Territory. Provides that the territory of the hospital district is all of Cook county.

Subd. 6. References. States that the general law, governing city/town hospital districts, applies to the Cook county hospital district and the county acts in place of cities and towns for the purposes of the law, except that section 447.32, subdivision 1 (relating to terms of office and which the special law governs) does not apply.

Subd. 7. Application. States that the statute allowing a city or town to be detached from the hospital district does not apply to the Cook county hospital district.

Effective date. Effective after both Cook county and the Cook county hospital district have approved the law and filed certificates of approval with the secretary of state.

25 **South St. Paul land transfer.** Authorizes the city of South St. Paul to convey a parcel, named in the section, acquired from the department of transportation to a private person or entity for the construction of single-family residential housing. Also includes a finding by the legislature that it is a public purpose for the city of South St. Paul to facilitate the construction of single-family housing, including the conveyance of public land. Effective the day following final enactment without local approval.

26 **Region nine development commission; nonprofit corporation established.**

Subd. 1. Authorization. Permits the region nine development commission to establish a nonprofit corporation to receive donations from donors that require recipients to be nonprofit organizations and thereby expand the sources of funding for region nine's services. (Region

nine's levy authority is set in Minn. Stat. § 462.396, subd. 2, at a maximum of \$343,572 or 103% of the previous year's levy, whichever is greater.)

Subd. 2. Board of directors. Provides for a nine-member board appointed by the region nine development commission. Prohibits more than five region nine development commissioners from also serving on the nonprofit's board of directors. Prohibits compensation but allows expenses.

Subd. 3. Articles and bylaws. Directs the entity to be incorporated under chapter 317A and comply with that chapter except as otherwise provided in this section.

Subd. 4. Employees. Specifies that the nonprofit's employees are not public employees and do not participate in retirement, deferred compensation, insurance or other plans available to public employees.

Subd. 5. Contracting. Permits the development commission to enter into contracts and leases with the nonprofit corporation.

Subd. 6. Statutory compliance. (a) Provides that section 16A.695 applies to a management contract or lease agreement between the nonprofit and the development commission. (Section 16A.695 is the statute that implements compliance with constitutional requirements for use of state general obligation bond funds when a facility funded with state bond funds is leased to another entity to carry out the program for which the facility was funded. It also governs the sale of state bond financed property, and default.)

(b) Requires the nonprofit to comply with certain provisions in the statute governing ratification and continuation of nonprofit corporations created by political subdivisions: Section 465.719, subdivision 9 - the nonprofit must comply with all laws with which the region nine development commission must comply, unless the resolution creating it specifically exempts it from a law and then the resolution must make a detailed and specific finding that the nonprofit cannot fulfill its purpose if it is subject to the law. Prohibits exemption from the open meeting law, data practices law, or records management act. Provides for challenges to a resolution that exempts the nonprofit from a law.

Section 465.719, subdivision 10 - if the nonprofit is exempted from any law that applies to the development commission, the development commission must revisit each exemption every three years and either ratify the exemption or remove it.

Section 465.719, subdivision 11 - if the nonprofit receives tax revenues from the development commission, they must be used only for a public purpose.

Section 465.719, subdivision 12 - requires an annual audit of the nonprofit by a CPA or the state auditor if the nonprofit receives public money.

Section 465.719, subdivision 13 - provides that the state auditor has the same powers with regard to the nonprofit as the state auditor has with regard to the development commission.

Section 465.719, subdivision 14 - addresses data classification for data created, collected, or maintained by the nonprofit.

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Anoka county debt authority.

Subd. 1. Permits Anoka county to issue capital improvement bonds and notes to finance the cost of designing, constructing, and acquiring public safety communication system infrastructure and equipment. The bonds and notes would not be subject to election. The amount of debt would be limited to an original principal amount of \$12.5 million.

Subd. 2. Permits the county to list any tax levied to pay principal and interest on the bonds or

notes as a separate line item on the property tax statement and the proposed property tax notice. (This levy is outside of levy limits since it is a debt levy, which is a special levy.)

Subd. 3. Sunsets the authority to issue bonds and notes under this act ten years after the first bond or note is issued and all bonds and notes issued must mature within the ten-year period. Prohibits any property taxes from being levied to pay off bonds or notes after that time.

Effective date. Effective the day after final enactment without local approval.

28 **Legislative purpose and policy.** States there is a need for a single entity to work on economic development issues in the Alexandria area.

29 **Definitions.** Defines the terms for the purposes of Lakes area EDA provisions. The "members" include the city of Alexandria, and the towns of Alexandria, Carlos, and La Grand. However, local approval is needed from each before they are members of the EDA.

30 **Lakes area economic development authority.**

Subd. 1. Establishment. Establishes the lakes area EDA.

Subd. 2. Commissioners. Provides that the elected chief executive of each member shall select one commissioner, subject to the approval of the governing body of each member municipality.

Subd. 3. Time limits for selection, alternative appointment by district judge. Requires that members select commissioners no later than 60 days from the effective date of the provision. Successors must be selected within 60 days of the expiration of existing commissioners' terms. Vacancies must be filled within 60 days. Directs the chief judge of the seventh judicial district to appoint a commissioner when a selection has not been made within the prescribed time.

Subd. 4. Vacancies. Provides that when an office of a commissioner becomes vacant, the vacancy must be filled for the remainder of the term in the usual manner.

Subd. 5. Terms of office. Provides that initial commissioners serve terms of various lengths, selected by lot. Elected chief executives of new member municipalities must select the length of their first commissioner's term. Succeeding terms are six years in length.

Subd. 6. Removal. Provides for removal of a commissioner by unanimous vote of the appointing governing body, with or without cause.

Subd. 7. Qualifications. Commissioners need not be residents of the territory of the appointing member.

Subd. 8. Compensation. Provides that commissioners may receive per diem as well as expenses incurred in duties.

31 **Powers; application of EDA law.**

Subd. 1. Use of EDA powers. The lakes area EDA may use any statutory powers of EDAs, except as otherwise provided. The authority's fiscal year is the calendar year.

Subd. 2. Law that is not applicable. Provides that certain laws governing an EDA are not applicable to the lakes area EDA: requiring an enabling resolution; setting out terms of commissioners; and establishing a procedure for a city to increase its levy amount for an EDA. The lakes area EDA does not have the authorization to issue general obligation bonds.

32 **Members must levy taxes for authority.** Requires member municipalities to levy a tax for the benefit of the EDA, with each member's share being a pro rata portion of the total amount of tax requested based upon the taxable market value within each member's jurisdiction, but not to exceed 0.01813 percent of taxable market value. The treasurer of each member city and town shall, within 15 days after receiving the property tax settlements from the county treasurer, pay to the treasurer of the authority the amount collected for this purpose.

33 **Addition and withdrawal of members.** Allows for additions and withdrawals of members to the EDA.

Subd. 1. Additions. Allows municipalities within Douglas county to petition the authority to join after adopting a resolution by a four-fifths vote of all of its governing body.

Subd. 2. Withdrawals. Allows a municipality to withdraw from the authority by resolution of its governing body. Provides that the municipality must notify the board of commissioners at least two years in advance of the proposed withdrawal. Unless the authority and the withdrawing member agree otherwise, the taxable property of the withdrawing member is subject to the EDA's property tax levy for two taxes payable years following the notification to withdraw, and the withdrawing member retains any rights, obligations, and liabilities obtained or incurred during its participation.

34 **Contracts with nonprofit corporations.** Authorizes the lakes area EDA to enter into contracts with nonprofit organizations for projects it undertakes. Provides that laws governing corporations created under a political subdivision before May 31, 1997, do not apply as long as the governing board of the nonprofit is not the same as, or a majority of the members are not the same as, the governing body of the creating entity.

35 **Relation to existing laws.** Provides that the EDA authority must be given full effect even if inconsistent with any other charter or law.

36 **St. Paul library agency.** (a) Permits the city to establish by ordinance a library agency to govern all city libraries and library operations. The library agency is a governmental subdivision of the state and the city council is the library board. Mayoral veto and override operate the same as they do for other actions of the city council.

(b) Library employees are city employees (as they are now).

(c) The city may transfer property to the library agency for library purposes.

(d) The library board must designate a chair, secretary and treasurer and permits the board to adopt bylaws.

(e) The mayor appoints the director of the library agency.

37 **Tax levies; fiscal matters.**

Subd. 1. Budget to city. Requires the library board to send its budget to the city council.

Subd. 2. Fiscal year. Requires the library agency's fiscal year to be the same as the city's fiscal year.

Subd. 3. City levy. Requires the city to levy for the library agency at the request of the library board.

38 **General obligation bonds.**

Subd. 1. Power; procedure. Permits the library agency to issue bonds in an amount authorized by the city council for acquisition of real or personal property and capital improvements for library property. Issuance of bonds is governed by the statutes governing municipal indebtedness, except that the issuance is not subject to election. Provides that the ordinance authorizing issuance of the bonds is subject to the city charter provisions for procedures for referendum on ordinances.

Subd. 2. Outside debt limit. Exempts bonds issued by the library agency from the net debt limit of the city imposed in statute or charter.

Subd. 3. Pledge. Provides that the debt issued by the library agency is backed by the full faith and credit of the city.

39 **St. Louis County; tax forfeited land proceeds.**

Subd. 1. Authority; purposes. Provides that the St. Louis county board, out of the proceeds of the sale or rental of tax forfeited land or from the sale of any products from that tax forfeited land, may annually by resolution apportion the balance remaining in the fund as provided in

subdivisions 2 to 5.

Subd. 2. Timber development; memorial forests. Allows the county board to use up to 30 percent of the balance for timber development on tax-forfeited and dedicated memorial forests on projects approved by the commissioner of natural resources.

Subd. 3. Other purposes. Allows the county board to use up to 20 percent of the balance on the following purposes:

- acquisition and maintenance of county parks or recreational areas;
- land use planning programs being carried on in the county including the enforcement of any controls in those programs; and
- no more than \$4 per capita of the county's population on the promotion of tourist, agricultural, and economic development.

Subd. 4. Use for state or federal programs. Provides that the amounts set aside under subdivisions 2 and 3 may be used by the county board as the county's share in any state or federal aid programs relating to those purposes.

Subd. 5. Apportionment. Provides that any balance remaining shall be apportioned as follows: county, 40 percent; town or city, 20 percent; and school district, 40 percent. Any portion that accrues to any unorganized township, must be administered by the county board.

Effective date; local approval. Requires local approval by the St. Louis county board.

40 **Effective date; local approval.** Provides that the provisions of the Alexandria Lakes area EDA are effective after the governing bodies of each of the named municipalities have adopted a resolution and have filed a certificate of compliance with the secretary of state.

The rest of the act (unless indicated otherwise) is effective the day following final enactment.