

# HOUSE RESEARCH

## Bill Summary

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### Overview

This is the public finance bill that makes changes in laws relating to public borrowing and financing of capital facilities.

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#### Article 1

#### Overview

This article makes a number of changes that expand the authority of local governments to issue bonds, incur debt, and impose taxes to finance various public facilities, including a number of special laws for individual cities, counties, and special districts.

- 1 Levy for non-county-owned public nursing homes.** Requires a county with a population of 150,000 or more that owns and funds a nursing home with county revenues to annually levy and distribute an equal amount to all other publicly owned nursing homes in the county.

According to the Department of Human Services, St. Louis County is the only county with a population over 150,000 that has both a county owned and one or more municipal owned nursing homes. Only three other counties with a population under 150,000 (Dodge, Ottertail,

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and Wadena) have both county and municipal owned nursing homes.

The proceeds of the levy are prorated among the recipient nursing homes in the proportion that the number of beds in each recipient nursing home is to the number of beds in all the recipient nursing homes in the county.

The levy would be outside of levy limits.

- 2 **Effective date.** The levy under section 0 must first be levied in 2003, for taxes payable in 2004.
- 3 **State guarantee for county debt.** Expands the state guarantee program to include county lease obligation for jails and law enforcement facilities.
- 4 **Public safety radio debt.** Authorizes all counties to issue debt under the capital improvement plan (CIP) bond and capital note laws for public radio safety systems. Under present law, this authority is limited to 23 counties.
- 5 **City exercise of county hospital powers.** Authorizes a county that does not have a county hospital to authorize a city to exercise the powers of the county hospital law.
- 6 **Fund transfers for nursing homes.** Authorizes a county to use surplus funds to acquire a nursing home. This authority does not apply to surplus funds in the road and bridge fund, sinking funds, or drainage ditch funds. Present law permits these fund transfers maintenance and expansions, but not acquisition.
- 7 **City exercise of county nursing home powers.** Authorizes a county that does not have a county nursing home to authorize a city to exercise the powers under the county nursing home law. This includes the power to impose a property tax levy, but this levy could only be imposed on property in the city, not the rest of the county. (For a city located in two counties, the language appears intended to allow the levy to apply in entire city, not just the part in the authorizing county.)
- 8 **County nursing home bonds.** Authorizes county nursing home bonds to be issued for acquisition, as well as improvement of a nursing home.
- 9 **Koochiching county; port authority.** Grants the governing board of Koochiching county the authority to establish a port authority having the powers granted to a city port authority in statute, with the county board exercising the powers of a city council. Any city in the county may participate in the activities of the county port authority under terms agreed to by the county.
- 10 **EDA bonds, term.** Extends the maximum term of revenue bonds issued by an economic development authority (EDA) from 20 years to 30 years.
- 11 **Abatement levy limit.** Doubles the limit on economic development abatement levies. The limit under present law is the greater of (1) 5 percent of the jurisdiction's regular levy or (2) \$100,000.
- 12 **Foreign trade zones.** Allows a city, county, town, or other political subdivision to apply to exercise foreign trade zone powers under federal law. Current law allows either a port authority or an economic development authority to apply to exercise foreign trade zone powers.
- 13 **Metropolitan council, bonding for transit.** Authorizes the metropolitan council to issue up to \$45 million in regional bonds for transit capital projects included in the regional transit master plan and transit capital improvement program.
- 14 **Application.** Provides that section 0 applies in the seven Twin Cities metropolitan counties.

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- 15 **Metropolitan council public safety radio bonds.** Expands the permitted use of revenue bonds issued by the metropolitan council for public safety radio systems to include making improvements to the 800 MHz radio system. To qualify, the system must interoperate with the public safety radio system and conform to the radio board technical standards and plan.
- 16 **Bond allocation, housing pool.** Authorizes an entitlement issuer to apply to the housing pool when it has issued (or returned) all of its carryover allocations from prior years. Under present law, an entitlement issuer must also issue or return the allocation for the current year before applying to the housing pool.
- 17 **Street reconstruction bonds.** Clarifies that street reconstruction bonds (authorized by the 2002 legislature) may be issued for utility replacement and relocation, public safety street modifications, and other costs incidental to street reconstruction. These costs do not include adding curbs and gutters.
- 18 **Corporate status for federal tax law.** States the Lewis and Clark Rural Water System may act on behalf of its member local government units in issuing bonds. This will enable the corporation, which was established by local units of governments in the states of Iowa, Minnesota, and South Dakota, to issue bonds that are exempt from federal taxation. An entity generally has this ability only if it is a governmental unit itself (defined by having police powers, eminent domain, or tax powers) or if it is authorized to act on behalf a governmental unit. This entity would qualify under the latter provision. This will reduce the borrowing costs of the entity.
- 19 **Tourist, Agricultural, and Industrial Development.** Authorizes Beltrami County to spend up to \$5 per capita on these purposes out of the proceeds of the rental and product sales (e.g., timber sales) from tax forfeited lands. This special law was enacted for Beltrami County in 1967. The table shows the history of the changes in the dollar limit for this spending.

Year of legislation	Per capita Amount
1967	\$.25
1979	.50
1985	1.00
Proposed 2003	5.00

**Background information.** The table below details the allocation of these moneys under general law. Minn. Stat. § 282.08(4) (2002). (Note: Itasca and St. Louis Counties have special laws similar to this law for Beltrami County. The legislature has increased the permitted amount to \$5 for both of those counties.)

Allocation of Proceeds Under General Law	
Purpose	Share
Timber development on tax forfeited land and memorial forests	up to 30%
County parks and recreational areas	up to 20%
Residual	
County	20%
City or town	10%
School district	20%

- 20 **Effective date:** Provides section 0 is effective upon local approval by the Beltrami county board.
- 21 **Operation of County Cook hospital district.** Provides that the Cook county hospital district

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is a municipal corporation and political subdivision of the state. This gives the Cook county hospital district the same status as hospital districts created under the general law.

**Effective date :** Upon local approval.

- 22 Tax levy for Cook County hospital district.** Specifies that the Cook county hospital district levy must not exceed \$300,000 in 2002 (for taxes payable in 2003). It has been limited to \$300,000 since 1989. Provides for inflation adjustment of the maximum levy for the hospital district in 2003 and after.

For taxes levied in 2003 (payable 2004) and thereafter, the levy is the lesser of the previous year's levy limitation multiplied by: (a) 103 percent, or (b) the ratio of the most recent annual medical care expenditure category of the revised Consumer Price Index, U.S. citywide average.

**Effective date :** Upon local approval.

- 23 Kandiyohi county and city of Willmar; powers.** Allows Kandiyohi county to form a county economic development authority (EDA) with the same powers as a city EDA, and for the county and the city of Willmar to enter into a joint powers agreement to jointly exercise any of the powers both possess under EDA statutes.
- 24 Special taxing district.** Provides that the joint powers entity formed under section 0 is a special taxing district with the power to levy property taxes up to the EDA levy limit (0.01813 percent of taxable market value), and that any levy by the joint owners entity replaces the EDA levies for Kandiyohi county and Willmar.
- 25 Effective date; no local approval required.** Provides sections 0 and 0 are effective the day following final enactment without local approval, because the bill would "enable one or more local government units to exercise authority not granted by general law."
- 26 Nursing home bonds authorized.** Allows Itasca county to issue revenue bonds that are backed by revenues from the nursing home to finance the construction of a 35-bed nursing home to replace an existing private facility. States that the construction constitutes "replacement of an existing nursing home without increasing the number of accommodations for residents" (this allows bonds to be authorized without an election).
- 27 Effective date, Itasca nursing home bonds.** Provides that section 0 is effective upon local approval by Itasca county.
- 28 Minneapolis community planning and economic development department.**

**Subd. 1.** Authorizes the city of Minneapolis to:

- ▶ establish a community planning and economic development department;
- ▶ transfer the related duties and functions of any other city department or office;
- ▶ transfer employees from the Minneapolis community development agency (MCDA) to the new department, including transferring employees not already in the city's classified service into the classified service;
- ▶ establish positions in the unclassified service for the new department; and

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- ▶ establish terms and conditions of employment for the new department.

**Subd. 2.** Provides that employees of the new department are city employees for the purposes of membership in the public employees retirement association (PERA). Requires employees transferred from MCDA to elect within six months whether to continue in their retirement plan as of the date of the transfer or join PERA. Employees who are members of the Minneapolis employees retirement fund may continue in that fund and retain their status in the fund.

**Subd. 3.** Provides that terms of a collective bargaining agreement in effect between MCDA and its employees are binding upon the city for transferred employees for the term of the contract.

**Subd. 4.** Provides for employees who elect to join PERA to purchase allowable service credits based on prior service with MCDA.

**29 Minneapolis community planning and economic development (CPED) authority.**

**Subd. 1.** Authorizes the city to exercise the powers granted in statute to housing and redevelopment authorities, port authorities, and economic development authorities, and for area redevelopment, city development, municipal industrial development, enterprise zones, and tax increment financing.

**Subd. 2.** Authorizes the city to delegate to the new department the powers authorized under subdivision 1, except the power to tax and the power to issue obligations of the city.

**Subd. 3.** Provides that assets and obligations of the MCDA may be transferred to the city and administered by the new department. The city will be bound by any associated contractual obligations which previously applied to the MCDA, except that obligations will be secured by the assets pledged by the MCDA and not the full faith and credit and taxing power of the city.

**Subd. 4.** Authorizes the city to pledge revenues, assets, reserves, or other property transferred to the city from the MCDA to the payment of city obligations.

**Subd. 5.** Authorizes the city to pledge its full faith, credit, and taxing power to finance programs and projects undertaken by the new department.

**Subd. 6.** Authorizes the city to deposit money and investments transferred from the MCDA into any city fund or account unless prohibited by law or contract.

**Subd. 7.** Authorizes the city to dissolve the MCDA if all assets, programs, and obligations of the MCDA are transferred to the city.

**Subd. 8.** Deems industrial development to include economic and housing development for the city's purposes.

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**30 Minneapolis CPED limitations.**

**Subd. 1.** Requires that obligations issued to finance activities of the new department be issued by the city council or by the city's board of estimate and taxation at the request of the city council.

**Subd. 2.** Deems actions under sections 28 to 30 to be within the city's charter.

**31 Effective date Minneapolis CPED.** Provides sections 0to 0are effective upon local approval conditions by the city of Minneapolis.

**32 Anoka county bonds.** Validates bonds issued by Anoka county for its public safety radio system. These bonds were apparently issued without first obtaining approval of the Public Safety Radio Planning Committee of its plan and bond issuance, as required under legislation passed by the 2002 legislature.

**33 Special law validation; LOGIS.** Validates a special law enacted in 1980, authorizing the establishment of LOGIS and specifically applies it to bonds issued after April 1, 2003. This law was approved by the board of the directors of the organization as required by the 1980 law, but there is no evidence that the approval was ever filed with the Office of the Secretary of State, a requirement for the approval of special laws under section 654.021, subdivision 3.

**34 Effective date.** Provides the changes are generally effective the day following final enactment unless otherwise provided.

**Article 2**

**Overview**

A similar version of this article was passed as part of the public finance bill during the 2002 legislative session, but never became effective because the local approval conditions were not met. That bill would have established an economic development authority (EDA) for the city of Alexandria and the towns of Alexandria, Carlos and La Grand in Douglas County. The current bill removes the town of Carlos and adds the city of Garfield. The EDA would have most of the statutory powers of a city or county EDA. Other municipalities in Douglas County may join the EDA after its establishment; the bill also contains provisions for withdrawal from the EDA (with a two-year notice).

**1 1 Legislative purpose and policy.** Statement of need for a single entity to work on economic development issues in the Alexandria area.

**2 Definitions.** Defines the terms for the purposes of the bill (Lakes area EDA, Person, Member, and Municipality). The "members" include the cities of Alexandria and Garfield, and the towns of Alexandria and La Grand. However, local approval is needed from each before they are members of the EDA.

**3 Lakes area economic development authority.**

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

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

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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 act. 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 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 receive per diem as well as expenses incurred in duties.

**4 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 in this act. Provides that 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.

**5 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. The money must be used by the authority as provided by this act.

**6 Addition and withdrawal of members.**

**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

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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 property tax levy under section 5 for two taxable years following the notification to withdraw, and the withdrawing member retains any rights, obligations, and liabilities obtained or incurred during its participation.

7 **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.

8 **Relation to existing laws.** Asserts that this law must be given full effect even if inconsistent with any other charter or law.

9 **Local approval; effective date.** Provides that the provisions are effective after the governing bodies of each of the municipalities named have adopted a resolution and have filed a certificate of compliance with the secretary of state.

### Article 3

## Overview

This article establishes the Central Lakes Regional Sanitary District in Douglas County to replace an existing joint powers board. The district is established for the townships of Carlos, Brandon, La Grand, Leaf Valley, Miltona, and Moe, and authorizes later additions or withdrawals. The article is modeled after other special laws for regional sanitary districts.

1 1 **Definitions.** Defines for the purposes of this bill the following terms: acquisition and betterment; agency (Minnesota pollution control agency); agricultural property; current costs of acquisition, betterment, and debt service; district disposal system; Central Lakes Region Sanitary District or District; interceptor; local government unit or government unit; local sanitary sewer facilities; municipality (statutory or home rule charter city or town in the district); person; pollution and sewer system; sanitary sewer board or board; sewage; total costs of acquisition and betterment and costs of acquisition and betterment; treatment works and disposal system.

2 **Sanitary sewer board.** Establishes the Central Lakes Region Sanitary District as a public corporation and political subdivision. Provides for the appointment and qualifications of the board members. Provides for terms of office, filling vacancies, removing members, oath of office, and compensation.

3 **General provision for organization and operation of board.** Specifies how meetings may be called, what constitutes a quorum. Provides for selection of officers, regular meetings, special meetings, vote required to act. Requires meetings to be open to the public. Provides for the members to select a chair from among themselves. Specifies the term and duties of the chair. Provides for the secretary and treasurer of the board, specifies duties. Provides that



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the general manager and other district employees are public employees. Requires the board to adopt resolutions or bylaws governing board actions, personnel administration, finances, etc. Permits the board to obtain surety bonds for its officers and employees, and to procure property and liability insurance.

- 4 **Comprehensive plan.** Requires the board to adopt a comprehensive plan for the collection, treatment, and disposal of sewage in the district. Specifies the contents of the plan. Requires a public hearing on the proposed plan prior to adoption of the plan. Requires district board approval of local new or substantially altered or improved sewers or disposal facilities to the extent they affect the board's responsibilities.
- 5 **Sewer service function.** Provides for the district board to assume ownership of all existing interceptors and treatment works, and to build others, needed to implement the board's comprehensive plan. Provides for transfer and payment between the local governments and the board. Provides for assumption of existing debt. Terminates the existing joint powers board by December 31, 2004. Permits the board to cancel existing contracts between local governments related to the disposal system.
- 6 **Sewage collection and disposal; powers.** Permits the discharge of treated water into the waters of the state. Permits the board to require persons in the district to connect to and discharge into the system. Permits the board to regulate connections to and discharges into the system.
- 7 **Budget.** Requires the board to adopt an annual budget and specifies the contents of the budget. Requires truth-in-taxation notice and hearing.
- 8 **Allocation of costs.** Provides for current costs (the costs of administration, operation, maintenance, debt service and costs of acquisition and betterment of the system to be paid during year and not with debt) to be allocated among the local governments or users equitably and by resolution of the board.
- 9 **Government units; payments to board.** Requires local governments in the district to pay the board as required by the board. Gives the board the powers of a statutory city, and the powers of a municipality with regard to eminent domain, special assessments for local improvements, public indebtedness, taxation for a disposal system, municipal waterworks, sewers, drains, and storm sewers, and joint powers. Permits the board to levy taxes in the district for payment of current costs, free from any limit.
- 10 **Public hearing and special assessments.** Requires public notice and hearing before projects are begun. Requires notice to benefited properties of proposed assessments. Requires a project feasibility report before the hearing is held. Permits the board to take emergency action. Permits the board to specially assess part or all of a proposed project.
- 11 **Initial costs.** Provides for local governments to help defray the start up costs and payment of debt upon acquiring existing systems. Permits the board to impose a property tax levy for these costs.
- 12 **Bonds certificates and other obligations.** Permits the board to issue short-term debt and debt for emergency situations. Authorizes general obligation bonding for the disposal system without an election.
- 13 **Tax levies.** Permits the board to levy to pay debt and as otherwise authorized in the bill.
- 14 **Depositories.** Requires the board to designate one or more banks or trust companies as the official depository of money for the board.
- 15 **Money; accounts and investments.** Directs how money must be handled and accounted for. Requires an audit of the district's books and records.
- 16 **General powers of the board.** Provides the board with all powers necessary or convenient

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to discharge its duties, including but not limited to those listed in this section relating to lawsuits; contracts; adopting rules and setting penalties; accepting gifts, grants, or loans; entering into joint powers agreements; study and investigation; procurement of professional services; acquiring and disposing property; use of rights of way; and agreements with other local governments, the state or federal government.

- 17 Local facilities.** Describes the responsibilities of local governments and the board for local sanitary sewer facilities. Provides for allocation of current costs.
- 18 Service contracts with governments outside district.** Permits the board to furnish services to other governmental entities outside the district under contract.
- 19 Construction, materials, supplies, equipment; contracts.** Requires Minnesota pollution control agency approval for acquisition and betterment projects. Provides that the uniform municipal contracting law applies.
- 20 Annexation, withdrawal of territory.** Permits any city or town in Douglas county to join the district. Permits a city or town to withdraw from the district with two-years' notice.
- 21 Property exempt from taxation.** Exempts the district's property from state or local taxes, but requires the district to pay special assessments.
- 22 Relation to existing law.** Provides for this act to prevail over other law, but not the powers of the pollution control agency.
- 23 Application; effective date; local approval; opt in or out.** Act applies to townships of Brandon, Carlos, LaGrand, Leaf Valley, Miltona, and Moe, in Douglas county. Effective the day after the fourth of the townships listed completes local approval. After that, the act is effective for any other townships listed, the day after completing local approval. Allows a township listed that does not complete local approval to petition for annexation to the district at a later time, as provided in the act.