MINUTES OF MEETING OF BOARD OF DIRECTORS
OF THE
MINNESOTA INSTITUTE OF PUBLIC FINANCE, INC.
150 South 5th Street, Suite 700,
Minneapolis, MN 55402

HELD: February 9, 2023

A meeting of the Board of Directors of the Minnesota Institute of Public Finance, Inc. ("MIPF") was held on February 9, 2023, at approximately 11:30 a.m. in person and via Zoom. The following directors were present and acted throughout:

Alicia Amato
Dan Andersen
Nick Basgen
Molly Beane
Heather Casperson
Peter Cooper
Alisa Gingerich (for Melanie Lien Johnson)
Jay Hiniker
Laura Janke
Jandra Lubovich
Brian Peltier
Brian Reilly
Justin Reppe
Christine Marie Robinette
Rhonda Skoby
Erin Tkachenko

Also present was Kimberly K. Ganley of Kennedy & Graven, Chartered.

Alicia Amato presided as President and Kimberly K. Ganley acted as recording secretary.

I. MINUTES.

Minutes of the January 12, 2023, Board Meeting were presented by Alicia Amato. There being no changes, a motion was made and seconded to approve the minutes. The motion passed unanimously.

II. TREASURER'S REPORT.

Christine Marie Robinette, Treasurer, gave the Treasurer's report. Christine reported dues are beginning to come in. Christine also reported the downpayment for the Twins game has been paid. It was reported MIPF remains to be in a healthy financial position.

III. REPORT OF LEGISLATIVE COMMITTEE.

Rhonda Skoby, Vice President-Legislation, gave the report of the Legislative Committee. Rhonda reported the Legislative Committee met in December to discuss the various ideas presented to be included in MIPF's bill. Rhonda reported the committee has continued to talk through the provisions to come up with a draft bill to be presented to the legislature this year. Rhonda went through the MIPF bill and in general all of the provisions to be included in the bill. After some discussion, a few tweaks will be made to the bill and circulated to the Board.

A motion was made and second to approve the slate of provisions to be included in MIPF's bill, the motion passed unanimously.

III. EDUCATION COMMITTEE.

Heather Casperson, Co-Vice President – Education, reported on behalf of the Education Committee. Heather reported April 25 has been secured for a Twins outing for MIPF. Heather discussed with the Board the tickets will cost more since the Twins will be playing the Yankees, but the outing was booked before February 1, which was before a price increase. It was decided to choose this game in hopes of having better attendance. There was some discussion about the allocation of tickets and it was decided to use the same allocation as last year and to also include a statement that 2023 dues must be paid in order to attend this event. Heather reported she and Chris are looking for ideas for other events as well.

IV. NEW BUSINESS.

A. Membership Subcommittee. Brian Peltier reported on behalf of the membership subcommittee. Brian reported there was nothing to report at this time.

B. Scholarship Subcommittee. Alicia Amato reported St. Thomas will be holding their event this spring. Kimberly K. Ganley reported she conducted a vote via email to rename the MIPF scholarship in honor of Paul Rebholz and the vote to rename the scholarship was approved. There was some discussion among the board and a motion was made and seconded to rename the scholarship to the MIPF Paul Rebholz Memorial Scholarship for 3 years, at which time it can be renamed to honor someone else or to continue in Paul's memory. The motion passed unanimously.

C. Investment Policy. Christine Marie Robinette and Brian Reilly reported they would present an investment policy at the March meeting.

V. NEXT BOARD MEETING.

The next meeting of the Board will be held March 9, 2023 at 11:30 a.m., to be held in person and via Zoom.

Respectfully Submitted,

Executive Director

MIPF 2023 Legislative Proposals -Approved by Board of Directors 2/9/2022

Maturity limitations for equipment purchases -
Originally proposed in 2022 (2023 additional change in blue)

Minnesota Statutes currently allow school districts, cities, towns, and counties to issue general obligation certificates of indebtedness or capital notes, subject to their respective debt limits, for the purpose of purchasing equipment. Each of the applicable statutes currently restricts the maturity of the certificates or notes to ten years for most types of equipment, and in most cases restricts the maturity of the certificate or note to no longer than the useful life of the equipment being financed.

The proposed legislation would extend the maturity cap to 20 years for all types of eligible equipment, while retaining the existing requirement that the maturity of the certificates or notes may not exceed the useful life of the equipment. This request comes out of a desire of municipalities to finance expensive and long-lived assets over a longer period of time that matches their usefulness. Fire trucks and solar equipment in particular have been cited as equipment that would be potentially "financable" with the extension of the maturity cap.

Note: the Legislature in 2017 amended the ten-year cap to allow a 20-year cap for equipment that eliminates R-22 (freon) in ice-making facilities for cities, towns, and Hennepin County. (Minnesota Session Laws 2017, 1st Special Session, Chapter 1, Article 7). These projects remain specifically authorized in the language below, but the applicable language has been moved. The specific authority has also been added for other counties besides Hennepin.

School Districts

123B.61 PURCHASE OF CERTAIN EQUIPMENT.

The board of a district may issue general obligation certificates of indebtedness or capital notes subject to the district debt limits to: (a) purchase vehicles, computers, telephone systems, cable equipment, photocopy and office equipment, technological equipment for instruction, and other capital equipment having an expected useful life at least as long as the terms of the certificates or notes; (b) purchase computer hardware and software, without regard to its expected useful life, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer; and (c) prepay special assessments. The certificates or notes must be payable in not more than ~~ten~~twenty years and must be issued on the terms and in the manner determined by the board~~, except that certificates or notes issued to prepay special assessments must be payable in not more than 20 years~~. The certificates or notes may be issued by resolution and without the requirement for an election. The certificates or notes are general obligation bonds for purposes of section 126C.55. A tax levy must be made for the payment of the principal and interest on the certificates or notes, in accordance with section 475.61, as in the case of bonds. The sum of the tax levies under this section and section 123B.62 for each year must not exceed the lesser of the amount of the district's total operating capital revenue or the sum of the district's levy in the general and community service funds excluding the adjustments under this section for the year preceding the year the initial debt service levies are certified. The district's general fund levy for each year must be reduced by the sum of (1) the amount of the tax levies for debt service certified for each year for payment of the principal and interest on the certificates or notes issued under this section as required by section 475.61, (2) the amount of the tax levies for debt service certified for each year for payment of the principal and interest on bonds issued under section 123B.62, and (3) any excess amount in the debt redemption fund used to retire bonds, certificates, or notes issued under this section or section 123B.62 after April 1, 1997, other than amounts used to pay capitalized interest. If the district's general fund levy is less than the amount of the reduction, the balance shall be deducted first from the district's community service fund levy, and next from the district's general fund or community service fund levies for the following year. A district using an excess amount in the debt redemption fund to retire the certificates or notes shall report the amount used for this purpose to the commissioner by July 15 of the following fiscal year. A district having an outstanding capital loan under section 126C.69 or an outstanding debt service loan under section 126C.68 must not use an excess amount in the debt redemption fund to retire the certificates or notes.

Towns

366.095 AUTHORITY TO ISSUE CERTIFICATES OF INDEBTEDNESS.
Subdivision 1. **Certificates of indebtedness.**

The town board may issue certificates of indebtedness within the debt limits for a town purpose otherwise authorized by law, including projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2). The certificates shall be payable in not more than ~~ten~~twenty years and be issued on the terms and in the manner as the board may determine, provided that notes ~~issued for projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2), must be payable in not more than 20 years~~. If the amount of the certificates to be issued exceeds 0.25 percent of the estimated market value of the town, they shall not be issued for at least ten days after publication in a newspaper of general circulation in the town of the board's resolution determining to issue them. If within that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular town election is filed with the clerk, the certificates shall not be issued until their issuance has been approved by a majority of the votes cast on the question at a regular or special election. A tax levy shall be made to pay the principal and interest on the certificates as in the case of bonds.

Counties

373.01 POWERS
Subd. 3. **Capital notes.**

(a) A county board may, by resolution and without referendum, issue capital notes subject to the county debt limit to purchase capital equipment useful for county purposes that has an expected useful life at least equal to the term of the notes. The notes shall be payable in not more than ~~ten~~twenty years and shall be issued on terms and in a manner the board determines. A tax levy shall be made for payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds.

(b) For purposes of this subdivision, "capital equipment" means:

(1) public safety, ambulance, road construction or maintenance, ~~and~~ medical equipment, and other capital equipment; ~~and~~

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer hardware or software; and

(3) projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2).

Hennepin County

383B.117 CERTIFICATES OF INDEBTEDNESS.
Subd. 2. **Equipment acquisition; capital notes.**

The board may, by resolution and without public referendum, issue capital notes within existing debt limits for the purpose of purchasing ambulance and other medical equipment, road construction or maintenance equipment, public safety equipment, projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2), and other capital equipment having an expected useful life at least equal to the term of the notes issued. The notes shall be payable in not more than ~~ten~~twenty years and shall be issued on terms and in a manner as the board determines~~, provided that notes issued for projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2), must be payable in not more than 20 years~~. The total principal amount of the notes issued for any fiscal year shall not exceed one percent of the total annual budget for that year and shall be issued solely for the purchases authorized in this subdivision. A tax levy shall be made for the payment of the principal and interest on such notes as in the case of bonds. For purposes of this subdivision, "equipment" includes computer hardware and software, whether bundled with machinery or equipment or unbundled. For purposes of this subdivision, the term "medical equipment" includes computer hardware and software and other intellectual property for use in medical diagnosis, medical procedures, research, record keeping, billing, and other hospital applications, together with application development services and training related to the use of the computer hardware and software and other intellectual property, all without regard to their useful life. For purposes of determining the amount of capital notes which the county may issue in any year, the budget of the county and Hennepin Healthcare System, Inc. shall be combined and the notes issuable under this subdivision shall be in addition to obligations issuable under section 373.01, subdivision 3.

Charter Cities

410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.

(a) Notwithstanding any contrary provision of other law or charter, a home rule charter city may, by resolution and without public referendum, issue capital notes subject to the city debt limit to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; ~~and~~

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer hardware and software, and

(3) projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2).

(c) The equipment or software must have an expected useful life at least as long as the term of the notes.

(d) The notes shall be payable in not more than ~~ten~~twenty years and be issued on terms and in the manner the city determines~~, provided that notes issued for projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2), must be payable in not more than 20 years~~. The total principal amount of the capital notes issued in a fiscal year shall not exceed 0.03 percent of the estimated market value of taxable property in the city for that year.

(e) A tax levy shall be made for the payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds.

(f) Notes issued under this section shall require an affirmative vote of two-thirds of the governing body of the city.

(g) Notwithstanding a contrary provision of other law or charter, a home rule charter city may also issue capital notes subject to its debt limit in the manner and subject to the limitations applicable to statutory cities pursuant to section 412.301.

Statutory Cities

412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.

(a) The council may issue certificates of indebtedness or capital notes subject to the city debt limits to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; ~~and~~

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer hardware or software, and

(3) projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2).

(c) The equipment or software must have an expected useful life at least as long as the terms of the certificates or notes.

(d) Such certificates or notes shall be payable in not more than ~~ten~~twenty years and shall be issued on such terms and in such manner as the council may determine~~, provided, however, that notes issued for projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2), must be payable in not more than 20 years~~.

(e) If the amount of the certificates or notes to be issued to finance any such purchase exceeds 0.25 percent of the estimated market value of taxable property in the city, they shall not be issued for at least ten days after publication in the official newspaper of a council resolution determining to issue them; and if before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular municipal election is filed with the clerk, such certificates or notes shall not be issued until the proposition of their issuance has been approved by a majority of the votes cast on the question at a regular or special election.

(f) A tax levy shall be made for the payment of the principal and interest on such certificates or notes, in accordance with section 475.61, as in the case of bonds.

Maturity Limitation – Water and Wastewater Bonds

Currently, the general maturity limitation for tax exempt bonds is 30 years, where not otherwise specified in statute. There's a 40 year limit for "municipal water and wastewater treatment systems and essential community facilities financed or guaranteed by the United States Department of Agriculture." As drafted, it is somewhat ambiguous whether "financed or guaranteed by the United States Department of Agriculture" is meant to apply to the entire phase, or whether it applies only to "essential community facilities," which is the portion of the phrase that immediately precedes it. Given the complexity and expense of municipal water and wastewater systems, municipalities are finding that it would be beneficial in many cases to finance those projects over a longer period, whether they are financing with the USDA or through another method. Accordingly, we propose is to redraft that portion of that statute to remove the ambiguity so that "financed or guaranteed by the United States Department of Agriculture" applies only to essential community facilities and water and wastewater projects are specifically authorized for 40 year financing, regardless of how financed.

475.54 MATURITIES; REDEMPTION.
Subdivision 1. **In installments; exception; annual limit.**

Except as provided in subdivision 3, 5a, 15, or 17, or as expressly authorized in another law, all obligations of each issue shall mature or be subject to mandatory sinking fund redemption in installments, the first not later than three years and the last not later than 30 years from the date of the issue; or 40 years or the useful life of the asset, whichever is less, for ~~municipal water and wastewater treatment systems and~~ (i) essential community facilities financed or guaranteed by the United States Department of Agriculture and (ii) municipal water and wastewater treatment systems. No amount of principal of the issue payable in any calendar year shall exceed an amount equal to the smallest amount payable in any preceding calendar year ending three years or more after the issue date multiplied:

(1) by five, in the case of obligations maturing not later than 25 years from the date of issue; and

(2) by six, in the case of obligations maturing 25 years or later from the date of issue.

Cross reference to existing tax levy procedures

Several special taxing districts have been denied the ability to certify a levy for the following year pursuant to Minn. Stat. Section 275.067. Cross references are suggested to avoid this problem in the future for housing redevelopment agencies, port authorities, and economic development agencies.

Housing and Redevelopment Authorities

469.033 PUBLIC REDEVELOPMENT COST; PROCEEDS; FINANCING

Subd. 6. **Operation area as taxing district, special tax.** All of the territory included within the area of operation of any authority shall constitute a taxing district for the purpose of levying and collecting special benefit taxes as provided in this subdivision. All of the taxable property, both real and personal, within that taxing district shall be deemed to be benefited by projects to the extent of the special taxes levied under this subdivision. Subject to the consent by resolution of the governing body of the city in and for which it was created, an authority may levy a tax upon all taxable property within that taxing district. The tax shall be extended, spread, and included with and as a part of the general taxes for state, county, and municipal purposes by the county auditor, to be collected and enforced therewith, together with the penalty, interest, and costs. As the tax, including any penalties, interest, and costs, is collected by the county treasurer it shall be accumulated and kept in a separate fund to be known as the "housing and redevelopment project fund." The money in the fund shall be turned over to the authority at the same time and in the same manner that the tax collections for the city are turned over to the city, and shall be expended only for the purposes of sections 469.001 to 469.047. It shall be paid out upon vouchers signed by the chair of the authority or an authorized representative. The amount of the levy shall be an amount approved by the governing body of the city, but shall not exceed 0.0185 percent of estimated market value. The authority shall each year formulate and file a budget in accordance with the budget procedure of the city in the same manner as required of executive departments of the city or, if no budgets are required to be filed, by August 1. The amount of the tax levy for the following year shall be based on that budget. Minn. Stat. Section 275.067 provides additional requirements for a housing and redevelopment authority that has not previously certified a levy.

Port Authorities

469.053 TAX LEVIES; FISCAL MATTERS.

Subd. 4. Mandatory city levy. A city shall, at the request of the port authority, levy a tax in any year for the benefit of the port authority. The tax must not exceed 0.01813 percent of estimated market value. The amount levied must be paid by the city treasurer to the treasurer of the port authority, to be spent by the authority. Minn. Stat. Section 275.067 provides additional requirements for a port authority that has not previously certified a levy.

Subd. 6. Discretionary city levy. Upon request of a port authority, the port authority's city may levy a tax to be spent by and for its port authority. The tax must enable the port authority to carry out efficiently and in the public interest sections 469.048 to 469.068 to create and develop industrial development districts. The levy must not be more than 0.00282 percent of estimated market value. The county treasurer shall pay the proceeds of the tax to the port authority treasurer. The money may be spent by the authority in performance of its duties to create and develop industrial development districts. In spending the money the authority must judge what best serves the public interest. The levy in this subdivision is in addition to the levy in subdivision 4. Minn. Stat. Section 275.067 provides additional requirements for a port authority that has not previously certified a levy.

Economic Development Authorities

469.107 CITY MAY LEVY TAXES FOR ECONOMIC DEVELOPMENT AUTHORITY.

Subdivision 1. City tax levy. A city may, at the request of the authority, levy a tax in any year for the benefit of the authority. The tax must be not more than 0.01813 percent of estimated market value. The amount levied must be paid by the city treasurer to the treasurer of the authority, to be spent by the authority. Minn. Stat. Section 275.067 provides additional requirements for an economic development authority that has not previously certified a levy.

Exempt Facilities Bonds

Chapter 474A governs the State's procedures for awarding federal tax-exempt bond volume cap to projects that are required by the Internal Revenue Code to received such an award in order to issue bonds on a tax-exempt basis. The proposed change synch up state law with federal law. It would have the effect of incorporating new types of exempt facilities bonds as they are added at the federal level without requiring the State to specifically authorize the newly federally-authorized types of projects. In particular, this is designed to bring in the Broadband and Carbon Capture projects added by the Infrastructure Investment and Jobs Act (H.R. 3684) in 2021. This change also removes the state's public ownership requirement and defers to the existing federal requirements. The Internal Revenue Code currently requires public ownership for airports, docks and wharves, mass commuting facilities, and environmental enhancements of hydroelectric generating facilities, but not other types of exempt facilities.

474A.02 DEFINITIONS.

Subd. 22b. **Public facilities project.**

"Public facilities project" means ~~any publicly owned facility, or~~ a facility ~~that is used for district heating or cooling~~, whether publicly or privately owned, that is eligible to be financed with the proceeds of public facilities bonds as defined under section 474A.02, subdivision 23a.

Subd. 23a. **Qualified bonds.**

"Qualified bonds" means the specific type or types of obligations that are subject to the annual volume cap. Qualified bonds include the following types of obligations as defined in federal tax law:

(a) "public facility bonds" means "exempt facility bonds" as defined in federal tax law, except for residential rental project bonds~~, which are those obligations issued to finance airports, docks and wharves, mass commuting facilities, facilities for the furnishing of water, sewage facilities, solid waste disposal facilities, facilities for the local furnishing of electric energy or gas, local district heating or cooling facilities, and qualified hazardous waste facilities~~. New bonds and other obligations are ineligible to receive state allocations or entitlement authority for public facility projects under this section if they have been issued:

(1) for the purpose of refinancing, refunding, or otherwise defeasing existing debt; and

(2) more than one calendar year prior to the date of application;

Permitted Investments

Currently, a municipalities' funds may be invested in, among other things, time deposits (such as CDs) that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States banks. Credit unions are eligible depositories under the definition of "Financial Institution" in Minn. Stat. 118A.01 and 118A.02. We proposed to include the National Association of Credit Unions as an eligible form of enhancement under the Time Deposits section of 118A, since that is the applicable entity that regulates and insures credit unions, instead of the FDIC.

118A.04 INVESTMENTS.

Subd. 5. **Time deposits.**

Funds may be invested in time deposits that are fully insured by the Federal Deposit Insurance Corporation, the National Association of Credit Unions, or bankers acceptances of United States banks.