

SENATE BILL No. 1360

July 26, 2006, Introduced by Senator CASSIS and referred to the Committee on Finance.

A bill to amend 2001 PA 34, entitled
"Revised municipal finance act,"
by amending section 103 (MCL 141.2103) and by adding sections 518
and 519.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 103. As used in this act:

2 (a) "Assessed value", "assessed valuation", "valuation as
3 assessed", and "valuation as shown by the last preceding tax
4 assessment roll", or similar terms, used in this act, any statute,
5 or charter as a basis for computing limitations upon the taxing or
6 borrowing power of any municipality, mean the state equalized
7 valuation as determined under the general property tax act, 1893 PA
8 206, MCL 211.1 to 211.157.

9 (b) "Chief administrative officer" means that term as defined

1 in section 2b of the uniform budgeting and accounting act, 1968 PA
2 2, MCL 141.422b.

3 (c) "Debt" means all borrowed money, loans, and other
4 indebtedness, including principal and interest, evidenced by bonds,
5 obligations, refunding obligations, notes, contracts, securities,
6 refunding securities, municipal securities, or certificates of
7 indebtedness that are lawfully issued or assumed, in whole or in
8 part, by a municipality, or will be evidenced by a judgment or
9 decree against the municipality.

10 (d) "Debt retirement fund" means a segregated account or group
11 of accounts used to account for the payment of, interest on, or
12 principal and interest on a municipal security.

13 (e) "Deficit" means a situation for any fund of a municipality
14 in which, at the end of a fiscal year, total expenditures,
15 including an accrued deficit, exceeded total revenues for the
16 fiscal year, including any surplus carried forward.

17 (f) "Department" means the department of treasury.

18 (g) "Fiscal year" means a 12-month period fixed by statute,
19 charter, or ordinance, or if not so fixed, then as determined by
20 the department.

21 (h) "Governing body" means the county board of commissioners
22 of a county; the township board of a township; the council, common
23 council, or commission of a city; the council, commission, or board
24 of trustees of a village; the board of education or district board
25 of a school district; the board of an intermediate school district;
26 the board of trustees of a community college district; the county
27 drain commissioner or drainage board of a drainage district; the

1 board of the district library; the legislative body of a
 2 metropolitan district; the port commission of a port district; and,
 3 in the case of another governmental authority or agency, that
 4 official or official body having general governing powers over the
 5 authority or agency.

6 (I) "HEALTH CARE TRUST FUND" MEANS THE FUND CREATED BY A
 7 PUBLIC EMPLOYEE RETIREMENT SYSTEM AND USED TO PROVIDE 1 OR MORE OF
 8 THE FOLLOWING:

9 (i) POSTEMPLOYMENT HEALTH CARE BENEFITS FOR PUBLIC EMPLOYEE
 10 RETIREES.

11 (ii) THE COSTS OF ISSUANCE OF MUNICIPAL SECURITIES.

12 (J) ~~(i)~~ "Municipal security" means a security that when
 13 issued was not exempt from this act or ~~the municipal finance act,~~
 14 **FORMER** 1943 PA 202, ~~MCL 131.1 to 139.3,~~ by the provisions of this
 15 act or by the provisions of ~~the municipal finance act,~~ **FORMER**
 16 1943 PA 202, ~~MCL 131.1 to 139.3,~~ or by the provisions of the law
 17 authorizing its issuance and that is payable from or secured by any
 18 of the following:

19 (i) Ad valorem real and personal property taxes.

20 (ii) Special assessments.

21 (iii) The limited or unlimited full faith and credit pledge of
 22 the municipality.

23 (iv) Other sources of revenue described in this act for debt or
 24 securities authorized by this act.

25 (K) ~~(j)~~ "Municipality" means a county, township, city,
 26 village, school district, intermediate school district, community
 27 college district, metropolitan district, port district, drainage

1 district, district library, or another governmental authority or
2 agency in this state that has the power to issue a security.

3 Municipality does not include this state or any authority, agency,
4 fund, commission, board, or department of this state.

5 (I) ~~(k)~~ "Outstanding security" means a security that has been
6 issued, but not defeased or repaid, including a security that when
7 issued was exempt from this act or ~~the municipal finance act,~~
8 **FORMER** 1943 PA 202, ~~MCL 131.1 to 139.3,~~ by the provisions of this
9 act or by the provisions of ~~the municipal finance act,~~ **FORMER**
10 1943 PA 202, ~~MCL 131.1 to 139.3,~~ or by the provisions of the law
11 authorizing its issuance.

12 (M) "PUBLIC EMPLOYEE RETIREMENT SYSTEM" MEANS A RETIREMENT
13 SYSTEM CREATED AND ESTABLISHED BY A COUNTY, CITY, VILLAGE, OR
14 TOWNSHIP.

15 (N) ~~(l)~~ "Qualified status" means a municipality that has
16 filed a qualifying statement under section 303 and has been
17 determined by the department to be qualified to issue municipal
18 securities without further approval by the department.

19 (O) ~~(m)~~ "Refunding security" means a municipal security
20 issued to refund an outstanding security.

21 (P) ~~(n)~~ "Security" means an evidence of debt such as a bond,
22 note, contract, obligation, refunding obligation, certificate of
23 indebtedness, or other similar instrument issued by a municipality,
24 which pledges payment of the debt by the municipality from an
25 identified source of revenue.

26 (Q) ~~(o)~~ "Sinking fund" means a fund for the payment of
27 principal only of a mandatory redemption security.

1 (R) ~~(p)~~ "Taxable value" means the taxable value of the
2 property as determined under section 27a of the general property
3 tax act, 1893 PA 206, MCL 211.27a.

4 (S) "UNFUNDED ACTUARIAL LIABILITY" MEANS THE AMOUNT BY WHICH A
5 HEALTH CARE TRUST FUND IS SHORT OF THE AMOUNT THAT WILL BE
6 NECESSARY, WITHOUT FURTHER PAYMENTS INTO THE HEALTH CARE TRUST
7 FUND, TO PAY POSTEMPLOYMENT HEALTH CARE BENEFITS ALREADY EARNED BY
8 BENEFICIARIES AND PARTICIPANTS OF A PUBLIC EMPLOYEE RETIREMENT
9 SYSTEM.

10 SEC. 518. (1) A COUNTY, CITY, VILLAGE, OR TOWNSHIP MAY BY
11 RESOLUTION OF ITS GOVERNING BODY, AND WITHOUT A VOTE OF ITS
12 ELECTORS, ISSUE A MUNICIPAL SECURITY UNDER THIS SECTION TO PAY THE
13 COSTS OF THE UNFUNDED ACTUARIAL LIABILITY OF A PUBLIC EMPLOYEE
14 RETIREMENT SYSTEM PENSION FUND OF THE MUNICIPALITY WHICH THE
15 PARTICIPANTS AND BENEFICIARIES OF A PUBLIC EMPLOYEE RETIREMENT
16 SYSTEM OF THE MUNICIPALITY ARE ENTITLED TO RECEIVE UNDER AGREEMENTS
17 WITH THE MUNICIPALITY; PROVIDED THAT THE AMOUNT OF TAXES NECESSARY
18 TO PAY THE PRINCIPAL AND INTEREST ON THAT MUNICIPAL SECURITY,
19 TOGETHER WITH THE TAXES LEVIED FOR THE SAME YEAR, SHALL NOT EXCEED
20 THE LIMIT AUTHORIZED BY LAW.

21 (2) BEFORE A COUNTY, CITY, VILLAGE, OR TOWNSHIP ISSUES A
22 MUNICIPAL SECURITY UNDER THIS SECTION, THE COUNTY, CITY, VILLAGE,
23 OR TOWNSHIP SHALL PREPARE AND MAKE AVAILABLE TO THE PUBLIC A
24 COMPREHENSIVE FINANCIAL PLAN THAT INCLUDES ALL OF THE FOLLOWING:

25 (A) EVIDENCE THAT THE MUNICIPAL SECURITY PROCEEDS AND REQUIRED
26 ANNUAL CONTRIBUTIONS WILL BE ADEQUATE TO MEET THE LEVEL OF BENEFITS
27 REQUIRED.

1 (B) AN AMORTIZATION SCHEDULE AND A DESCRIPTION OF ACTIONS
2 REQUIRED TO SATISFY THE AMORTIZATION SCHEDULE.

3 (C) ACTUARIAL ASSUMPTIONS AND A CERTIFICATION THAT THE
4 COMPREHENSIVE FINANCIAL PLAN IS COMPLETE AND ACCURATE.

5 (D) EVIDENCE THAT THE ISSUANCE OF MUNICIPAL SECURITIES WILL
6 RESULT IN PROJECTED PRESENT VALUE SAVINGS.

7 (E) A PLAN FROM THE PUBLIC EMPLOYEE RETIREMENT SYSTEM TO
8 REDUCE HEALTH CARE COSTS.

9 (3) BEFORE A COUNTY, CITY, VILLAGE, OR TOWNSHIP ISSUES A
10 MUNICIPAL SECURITY UNDER THIS SECTION, THE COUNTY, CITY, VILLAGE,
11 OR TOWNSHIP SHALL PUBLISH A NOTICE OF INTENT TO ISSUE THE MUNICIPAL
12 SECURITY. THE NOTICE OF INTENT SHALL BE DIRECTED TO THE ELECTORS OF
13 THE COUNTY, CITY, VILLAGE, OR TOWNSHIP, SHALL BE PUBLISHED IN A
14 NEWSPAPER THAT HAS GENERAL CIRCULATION IN THE COUNTY, CITY,
15 VILLAGE, OR TOWNSHIP, AND SHALL STATE THE MAXIMUM AMOUNT OF
16 MUNICIPAL SECURITIES TO BE ISSUED; THE PURPOSE OF THE MUNICIPAL
17 SECURITIES; THE SOURCE OF PAYMENT; THE RIGHT OF REFERENDUM ON THE
18 ISSUANCE OF THE MUNICIPAL SECURITIES; AND ANY OTHER INFORMATION THE
19 COUNTY, CITY, VILLAGE, OR TOWNSHIP DETERMINES NECESSARY TO
20 ADEQUATELY INFORM THE ELECTORS OF THE NATURE OF THE ISSUE. THE
21 NOTICE OF INTENT SHALL NOT BE LESS THAN 1/8 PAGE IN SIZE IN THE
22 NEWSPAPER. IF, WITHIN 45 DAYS OF THE PUBLICATION OF THE NOTICE OF
23 INTENT, A PETITION, SIGNED BY NOT LESS THAN 10% OR 10,000 OF THE
24 REGISTERED ELECTORS, WHICHEVER IS LESS, RESIDING WITHIN THE COUNTY,
25 CITY, VILLAGE, OR TOWNSHIP, IS FILED WITH THE GOVERNING BODY OF THE
26 COUNTY, CITY, VILLAGE, OR TOWNSHIP, REQUESTING A REFERENDUM ON THE
27 QUESTION OF THE ISSUANCE OF THE MUNICIPAL SECURITIES, THEN THE

1 MUNICIPALITY SHALL NOT ISSUE THE MUNICIPAL SECURITIES UNTIL
2 AUTHORIZED BY THE VOTE OF A MAJORITY OF THE ELECTORS OF THE COUNTY,
3 CITY, VILLAGE, OR TOWNSHIP QUALIFIED TO VOTE AND VOTING ON THE
4 QUESTION AT A GENERAL OR SPECIAL ELECTION. A SPECIAL ELECTION
5 CALLED FOR THIS PURPOSE SHALL NOT BE INCLUDED IN A STATUTORY OR
6 CHARTER LIMITATION AS TO THE NUMBER OF SPECIAL ELECTIONS TO BE
7 CALLED WITHIN A PERIOD OF TIME.

8 (4) MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) BY A
9 COUNTY, CITY, VILLAGE, OR TOWNSHIP SHALL HAVE A MAXIMUM TERM OF 30
10 YEARS AS DETERMINED BY THE COUNTY, CITY, VILLAGE, OR TOWNSHIP.

11 (5) MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) BY A
12 COUNTY, CITY, VILLAGE, OR TOWNSHIP, AND CURRENTLY OUTSTANDING,
13 SHALL NOT EXCEED 5% OF THE STATE EQUALIZED VALUATION OF THE
14 PROPERTY ASSESSED IN THAT COUNTY, CITY, VILLAGE, OR TOWNSHIP.

15 (6) A MUNICIPAL SECURITY ISSUED UNDER SUBSECTION (1) BY A
16 COUNTY, CITY, VILLAGE, OR TOWNSHIP MAY MATURE ANNUALLY OR BE
17 SUBJECT TO MANDATORY REDEMPTION REQUIREMENTS, WITH THE FIRST ANNUAL
18 MATURITY OR MANDATORY REDEMPTION REQUIREMENT TO FALL DUE 5 YEARS OR
19 LESS FROM THE DATE OF ISSUANCE. ANNUAL MATURITY OR REDEMPTION
20 REQUIREMENTS, OR A COMBINATION OF BOTH, OF A MUNICIPAL SECURITY
21 ISSUED UNDER THIS SECTION AFTER 10 YEARS FROM THE DATE OF ISSUANCE
22 SHALL NOT BE LESS THAN 1/5 OF THE AMOUNT OF ANY SUBSEQUENT ANNUAL
23 MATURITY OR REDEMPTION REQUIREMENT, OR COMBINATION OF BOTH.

24 (7) MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) BY A
25 COUNTY, CITY, VILLAGE, OR TOWNSHIP AND THE INTEREST ON AND INCOME
26 FROM THE MUNICIPAL SECURITIES ARE EXEMPT FROM TAXATION BY THIS
27 STATE OR A POLITICAL SUBDIVISION OF THIS STATE.

1 (8) A COUNTY, CITY, VILLAGE, OR TOWNSHIP ISSUING MUNICIPAL
2 SECURITIES UNDER SUBSECTION (1) MAY ENTER INTO INDENTURES OR OTHER
3 AGREEMENTS WITH TRUSTEES AND ESCROW AGENTS FOR THE ISSUANCE,
4 ADMINISTRATION, OR PAYMENT OF THE MUNICIPAL SECURITIES.

5 SEC. 519. MUNICIPAL SECURITIES ISSUED UNDER SECTION 517 OR 518
6 SHALL ALSO BE SECURED BY THE GENERAL FUND OF THE COUNTY, CITY,
7 VILLAGE, OR TOWNSHIP AND SHALL INCLUDE THE PHRASE "GENERAL
8 OBLIGATION LIMITED TAX" IN THE RESOLUTION AUTHORIZING THE ISSUANCE.
9 THE COUNTY, CITY, VILLAGE, OR TOWNSHIP ISSUING THE MUNICIPAL
10 SECURITIES IS NOT AUTHORIZED TO LEVY ANY TAX NOT AUTHORIZED BY LAW
11 AT THE TIME THE MUNICIPAL SECURITIES ARE ISSUED TO PAY FOR THE
12 MUNICIPAL SECURITIES.