

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 29

A bill relative to the borrowing of money and the issuance of certain debt and securities; to provide for tax levies and sinking funds; to prescribe powers and duties of certain departments, state agencies, officials, and employees; to impose certain duties, requirements, and filing fees upon political subdivisions of this state; to authorize the issuance of certain debt and securities; to prescribe penalties; and to repeal acts and parts of acts.

<RT>

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1

PART I

2

DEFINITIONS

3

Sec. 101. This act shall be known and may be cited as the

4

"revised municipal finance act".

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Sec. 103. As used in this act:

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

8 (b) "Chief administrative officer" means that term as
9 defined in section 2b of the uniform budgeting and accounting
10 act, 1968 PA 2, MCL 141.422b.

11 (c) "Debt" means all borrowed money, loans, and other
12 indebtedness, including principal and interest, evidenced by
13 bonds, obligations, refunding obligations, notes, contracts,
14 securities, refunding securities, municipal securities, or cer-
15 tificates of indebtedness that are lawfully issued or assumed, in
16 whole or in part, by a municipality, or will be evidenced by a
17 judgment or decree against the municipality.

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

21 (e) "Deficit" means a situation for any fund of a municipal-
22 ity in which, at the end of a fiscal year, total expenditures,
23 including an accrued deficit, exceeded total revenues for the
24 fiscal year, including any surplus carried forward.

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

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

4 (h) "Governing body" means the county board of commissioners
5 of a county; the township board of a township; the council,
6 common council, or commission of a city; the council, commission,
7 or board of trustees of a village; the board of education or dis-
8 trict board of a school district; the board of an intermediate
9 school district; the board of trustees of a community college
10 district; the county drain commissioner or drainage board of a
11 drainage district; the board of the district library; the legis-
12 lative body of a metropolitan district; the port commission of a
13 port district; and, in the case of another governmental authority
14 or agency, that official or official body having general govern-
15 ing powers over the authority or agency.

16 (i) "Municipal security" means a security that when issued
17 was not exempt from this act or the municipal finance act, 1943
18 PA 202, MCL 131.1 to 139.3, by the provisions of this act or by
19 the provisions of the municipal finance act, 1943 PA 202, MCL
20 131.1 to 139.3, or by the provisions of the law authorizing its
21 issuance and that is payable from or secured by any of the
22 following:

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

24 (ii) Special assessments.

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

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

3 (j) "Municipality" means a county, township, city, village,
4 school district, intermediate school district, community college
5 district, metropolitan district, port district, drainage dis-
6 trict, district library, or another governmental authority or
7 agency in this state that has the power to issue a security.
8 Municipality does not include this state or any authority,
9 agency, fund, commission, board, or department of this state.

10 (k) "Outstanding security" means a security that has been
11 issued, but not defeased or repaid, including a security that
12 when issued was exempt from this act or the municipal finance
13 act, 1943 PA 202, MCL 131.1 to 139.3, by the provisions of this
14 act or by the provisions of the municipal finance act, 1943 PA
15 202, MCL 131.1 to 139.3, or by the provisions of the law autho-
16 rizing its issuance.

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

21 (m) "Refunding security" means a municipal security issued
22 to refund an outstanding security.

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

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1 (o) "Sinking fund" means a fund for the payment of principal
2 only of a mandatory redemption security.

3 (p) "Taxable value" means the taxable value of the property
4 as determined under section 27a of the general property tax act,
5 1893 PA 206, MCL 211.27a.

6 Sec. 105. A municipal security does not include any of the
7 following:

8 (a) A contract for the purchase of real or personal
9 property.

10 (b) A contract for the lease of real or personal property
11 with or without an option to purchase.

12 (c) A contract, lease, note, or other security given in con-
13 nection with a contract described in subdivision (a) or (b).

14 (d) A security that is evidence of an emergency loan under
15 section 1 of 1855 PA 105, MCL 21.141, in conjunction with the
16 emergency municipal loan act, 1980 PA 243, MCL 141.931 to
17 141.942, or qualified agricultural loans under section 2a of 1855
18 PA 105, MCL 21.142a.

19 (e) A mortgage secured by real property and its correspond-
20 ing security to the extent secured by the mortgage.

21 PART II

22 POWERS

23 Sec. 201. The department is authorized and directed to pro-
24 tect the credit of this state and its municipalities, and to
25 enforce the provisions of this act, and has the following general
26 powers:

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1 (a) To aid, advise, and consult with any municipality with
2 respect to fiscal questions arising from and relating to its
3 proposed or outstanding securities.

4 (b) To issue bulletins or adopt rules as necessary to carry
5 out the purposes of this act. A bulletin issued under this sub-
6 division shall include a statement of the department's specific
7 statutory authority for any substantive requirement contained
8 within the bulletin. A rule adopted under this subdivision shall
9 be adopted in accordance with the provisions of the administra-
10 tive procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

11 (c) To examine the books and records of any municipality for
12 the purpose of ascertaining if the municipality is complying with
13 the requirements of the department, the statutes of this state,
14 and its charter, ordinances, and resolutions, in relation to its
15 municipal securities. For those purposes, it may require sworn
16 statements from any officer or employee of the municipality or
17 may require the municipality to furnish it with a statement of
18 its financial condition. The department has full power in fur-
19 therance of its investigations to examine witnesses under oath
20 and compel the attendance of witnesses, the giving of testimony,
21 and the production of books, papers, and records. Witnesses may
22 be summoned by the department by its process upon the payment of
23 the same fees as are allowed to witnesses attending in the cir-
24 cuit court of the county in which the hearing is held. Any
25 person duly subpoenaed under this section who neglects to attend
26 or testify at the place named in the subpoena, served for that
27 purpose, is guilty of a misdemeanor.

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1 (d) To enforce compliance with any provision of this act or
2 with any provisions of any law, charter, ordinance, or resolution
3 with respect to debts or securities subject to its jurisdiction,
4 including the levy and collection of taxes and the segregation,
5 safekeeping, investment, and application of money for the payment
6 of debt. The department may institute appropriate proceedings in
7 the courts of this state, including those for a writ of mandamus
8 and injunctive relief.

9 (e) To render financial advisory, paying agent, registra-
10 tion, and transfer services and materials, including assistance
11 in the preparation and issuance of a municipality's municipal
12 securities; prepare explanatory manuals; conduct training semi-
13 nars; and, upon request of the municipality, assist a municipal-
14 ity in issuing its municipal securities under this act. The
15 department may impose a fee upon municipalities requesting its
16 services or materials, which fee shall be limited to the cost
17 incurred by the department in providing the service. The paying
18 agent, registration, and transfer services authorized by this
19 subdivision, if requested by a municipality, shall be performed
20 solely by the department with respect to the requesting
21 municipalities.

22 Sec. 203. If a municipality feels aggrieved by a determina-
23 tion of the department, it may notify the department and appeal
24 the determination of the department as a contested case pursuant
25 to the administrative procedures act of 1969, 1969 PA 306,
26 MCL 24.201 to 24.328. This section does not permit the issuance,
27 amendment, or modification of any order or determination of the

1 department in respect to the issuance of a municipal security,
2 after the municipal security has been issued, if that action
3 would affect the municipal security interests of the holders of
4 the municipal security adversely.

5 PART III

6 GENERAL

7 Sec. 301. A municipality shall not issue a municipal secur-
8 ity except in accordance with this act.

9 Sec. 303. (1) Each municipality shall file an audit report
10 annually with the department within 6 months from the end of its
11 fiscal year or as otherwise provided in the uniform budgeting and
12 accounting act, 1968 PA 2, MCL 141.421 to 141.440a.

13 (2) Accompanying the audit report described in subsection
14 (1), a municipality shall file a qualifying statement, on a form
15 and in the manner provided by the department, which shall be cer-
16 tified by the chief administrative officer. Within 30 business
17 days of the receipt of the qualifying statement, the department
18 shall determine if the municipality complies with the require-
19 ments of subsection (3). If the department determines that the
20 municipality complies with the provisions of subsection (3) or if
21 the department fails to notify the municipality of its determina-
22 tion under this subsection within 30 business days of receipt of
23 the qualifying statement, the municipality may proceed to issue
24 municipal securities under this act without further approval from
25 the department until 30 business days after the next qualifying
26 statement is due or a new determination is made by the
27 department, whichever occurs first.

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1 (3) To qualify to issue municipal securities without further
2 approval from the department, the municipality shall be in mate-
3 rial compliance with all of the following requirements, as deter-
4 mined by the department:

5 (a) The municipality is not operating under the provisions
6 of the local government fiscal responsibility act, 1990 PA 72,
7 MCL 141.1201 to 141.1291.

8 (b) The municipality did not issue securities in the immedi-
9 ately preceding 5 fiscal years or current fiscal year that were
10 authorized by either the emergency municipal loan act, 1980 PA
11 243, MCL 141.931 to 141.942, other than a security issued for a
12 loan authorized under section 3(2)(a) of the emergency municipal
13 loan act, 1980 PA 243, MCL 141.933, or the fiscal stabilization
14 act, 1981 PA 80, MCL 141.1001 to 141.1011.

15 (c) The municipality was not required by the terms of a
16 court order or judgment [

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19 to levy a tax in the preceding fiscal year. [For purposes of this
subdivision, the department may determine that a court order or
judgment to levy a tax is not material if it did not have an adverse
financial impact on the municipality.]

20 (d) The most recent audit report, as required by the uniform
21 budget and accounting act, 1968 PA 2, MCL 141.421 to 141.440a,
22 was filed with the department within 6 months from the end of the
23 fiscal year of the municipality.

24 (e) The debt retirement fund balance for any municipal
25 security that is funded from an unlimited tax levy does not
26 exceed 150% of the amount required for principal and interest

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1 payments due for that municipal security in the next fiscal
2 year.

3 (f) The municipality is not currently exceeding its statu-
4 tory or constitutional debt limits.

5 (g) The municipality has no outstanding securities that were
6 not authorized by statute.

7 (h) The municipality is not currently and during the preced-
8 ing fiscal year was not in violation of any provisions in the
9 covenants for an outstanding security.

10 (i) The municipality was not delinquent more than 1 time in
11 the preceding fiscal year in transferring employee taxes withheld
12 to the appropriate agency, transferring taxes collected as agent
13 for another taxing entity to that taxing unit, or making all
14 required pension, retirement, or benefit plan contributions.

15 (j) The most recent delinquent property taxes of the munici-
16 pality, without regard to payments received from the county under
17 the general property tax act, 1893 PA 206, MCL 211.1 to 211.157,
18 did not exceed [18%] of the amount levied.

19 (k) The municipality did not submit a qualifying statement
20 or an application for any other municipal security in the preced-
21 ing 12 months that was materially false or incorrect.

22 (l) The municipality is not in default on the payment of any
23 debt, excluding industrial development revenue bonds issued under
24 the industrial development revenue bond act of 1963, 1963 PA 62,
25 MCL 125.1251 to 125.1267, economic development corporation bonds
26 issued under the economic development corporations act, 1974 PA
27 338, MCL 125.1601 to 125.1636, bonds issued by a local hospital

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1 finance authority for a private hospital under the hospital
2 finance authority act, 1969 PA 38, MCL 331.31 to 331.84, or any
3 other debt for which the municipality is not financially liable.

4 (m) The municipality did not end the immediately preceding
5 fiscal year with a deficit in any fund, unless the municipality
6 has filed a financial plan to correct that deficit condition
7 under section 21 of the Glenn Steil state revenue sharing act of
8 1971, 1971 PA 140, MCL 141.921, that is acceptable to the
9 department.

10 (n) The municipality has not been found by a court of compe-
11 tent jurisdiction to be in violation of any finance or
12 tax-related state or federal statutes during the preceding fiscal
13 year.

14 (o) The municipality has not been determined by the depart-
15 ment to be in violation of this act during the preceding fiscal
16 year.

17 (p) The municipality did not issue a refunding security in
18 the preceding fiscal year to avoid a potential default on an out-
19 standing security.

20 (4) If a municipality is notified within 30 business days of
21 the filing of the qualifying statement that it does not comply
22 with 1 or more of the requirements of subsection (3), the munici-
23 pality may correct the noncompliant requirements and request a
24 reconsideration of the determination from the department as pro-
25 vided in subsection (5).

26 (5) A municipality may request a reconsideration of the
27 determination from the department. That request shall indicate

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1 the requirements that the department determined the municipality
2 to be not in compliance with and the action taken by the munic-
3 pality to correct the noncompliance. Within 30 business days of
4 the receipt of the request for reconsideration, the department
5 shall determine if the municipality complies with the require-
6 ments of subsection (3) or, if the department fails to notify the
7 municipality of its determination under this subsection within 30
8 business days of receipt of the request for reconsideration, the
9 municipality will be granted qualified status.

10 (6) If a municipality is notified within 30 business days
11 after filing a request for reconsideration that it does not
12 comply with the requirements of subsection (3), the municipality
13 shall not issue municipal securities under this act without the
14 prior written approval of the department to issue a municipal
15 security as provided in subsections (7) and (8).

16 (7) If a municipality has not been granted qualified status,
17 the municipality must obtain, for each municipal security, the
18 prior written approval of the department to issue a municipal
19 security. To request prior written approval to issue a municipal
20 security, the municipality shall submit an application and sup-
21 porting documentation to the department on a form and in a manner
22 prescribed by the department, which shall be certified by the
23 chief administrative officer. A filing fee equal to 0.03% of the
24 principal amount of the municipal security to be issued, but not
25 less than \$800.00 and not greater than \$2,000.00 as determined by
26 the department, shall accompany each application. If the
27 qualifying statement required by section 303(2) was received by

1 the department more than 6 months after the end of the
2 municipality's fiscal year, a late fee of \$100.00 shall accompany
3 the first application filed after that date. Within 30 business
4 days of receiving an application, the fee, and supporting docu-
5 mentation from a municipality, the department shall make a deter-
6 mination whether the municipality has met all of the following
7 requirements:

8 (a) Has indicated the authority to issue the municipal
9 security requested.

10 (b) Is projected to be able to repay the municipal security
11 when due.

12 (c) Has filed information with the department indicating
13 compliance with the requirements of subsection (3) or adequately
14 addressed any noncompliance with subsection (3) as determined by
15 the department.

16 (d) If required by the department, has obtained an invest-
17 ment grade rating for the municipal security or has purchased
18 insurance for payment of the principal and interest on the munic-
19 ipal security to the holders of the municipal security, or has
20 otherwise enhanced the creditworthiness of the municipal
21 security.

22 (8) If the department determines that the requirements in
23 subsection (7) have been met, the department shall approve the
24 issuance of the proposed municipal security. If the department
25 determines that the requirements in subsection (7) have not been
26 met, the department shall issue a notice of deficiency to the
27 municipality that prevents the issuance of the proposed municipal

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1 security. The notice of deficiency shall state the specific
2 deficiencies and problems with the proposed issuance. After the
3 deficiencies and problems have been addressed as determined by
4 the department, the department shall approve the issuance of the
5 proposed municipal security.

6 (9) This state or any state authority, agency, fund, commis-
7 sion, board, or department of this state is not required to
8 obtain approval under this section before issuing securities or
9 required to file any qualifying or audit reports under this
10 section.

11 (10) A state authority, agency, fund, commission, board, or
12 department of this state that is required to obtain approval or
13 an exception from prior approval from the department under the
14 municipal finance act, 1943 PA 202, MCL 131.1 to 139.3, shall
15 instead file a statement with the department of intent to issue a
16 security on a form prescribed by the department. Within 10 days
17 of receipt of that statement, the department shall issue that
18 authority, agency, fund, commission, board, or department an
19 order granting exception from prior approval. If the department
20 fails to comply with the requirements of this subsection, the
21 state authority, agency, fund, commission, board, or department
22 of this state shall be considered to have obtained any required
23 approval or exception from prior approval.

24 (11) A determination by the department that a municipality
25 has been granted qualified status constitutes an order granting
26 exception from prior approval under the municipal finance act,

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1 1943 PA 202, MCL 131.1 to 139.3, of that municipality's
2 securities.

3 Sec. 305. (1) A municipal security authorized by law to be
4 issued by a municipality may, notwithstanding the provisions of a
5 charter, bear no interest as provided in this section or a rate
6 of interest not to exceed a maximum rate established by the gov-
7 erning body of the issuing municipality as set forth in its reso-
8 lution or ordinance authorizing the issuance of the municipal
9 security, which rate shall not exceed 18% per annum or a per
10 annum rate determined by the department at the request of the
11 municipality, whichever is higher. In making its determination,
12 the department shall establish a rate that shall bear a reason-
13 able relationship to 80% of the adjusted prime rate determined by
14 the department under section 23 of 1941 PA 122, MCL 205.23.
15 Except as otherwise provided in this section, the rate determined
16 by the department shall be conclusive as to the maximum rate of
17 interest permitted for a municipal security issued under this
18 act.

19 (2) Except as provided in subsection (3), a municipal secur-
20 ity issued under this act shall not be sold at a discount exceed-
21 ing 10% of the principal amount of the municipal security. The
22 amortization of the discount shall be considered interest and
23 shall be within the interest rate limitation set forth in subsec-
24 tion (1).

25 (3) A municipal security may be sold at a discount exceeding
26 10% of the principal amount of the municipal security only if 1

1 or more of the following conditions apply, as determined by the
2 department:

3 (a) The sale will result in the more even distribution for
4 the municipality of total debt service on proposed and outstand-
5 ing municipal securities.

6 (b) The sale will result in an interest cost savings when
7 compared to the best available alternative that does not include
8 a municipal security being sold at a discount exceeding 10% of
9 the principal amount.

10 (c) The issuance is based on the availability of specific
11 revenues previously pledged for another purpose and lawfully
12 available for this purpose.

13 (d) The municipal security is issued to this state or the
14 federal government to secure a loan or agreement.

15 (4) A municipal security issued in accordance with subsec-
16 tion (3)(a), (b), or (c) shall be rated investment grade by a
17 nationally recognized rating agency or have insurance for payment
18 of the principal and interest on the municipal security to the
19 holders of the municipal security.

20 (5) Notwithstanding any other provision of this section, a
21 municipal security meeting the requirements of subsection (3)
22 that is a refunding security shall not have a maturity that
23 exceeds the maturity of the existing municipal security.

24 (6) Not more than 25% of the total principal amount of any
25 authorized issue of a municipal security shall meet the qualifi-
26 cations under subsection (3)(a), (b), and (c).

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1 (7) A municipal security may bear no interest if sold in
2 accordance with a federal program by which the holder of the
3 municipal security, as a result of holding the municipal securi-
4 ty, may declare a credit against a federal tax.

[(8) A municipal security may bear no interest and appreciate
as to principal amount if it meets the requirements of subsections
(3), (4), and (6). The accreted principal amount of a municipal
security shall be considered interest and shall be within the
interest rate limitations provided in subsection (1).]

5 Sec. 307. Before any bulletin issued by the department can
6 take effect that addresses the filings, approvals, or determina-
7 tions under section 303, or any modification of an existing bul-
8 letin that addresses the filings, approvals, or determinations
9 under section 303, the department shall issue the bulletin or
10 modification as a proposed bulletin with not less than a 30-day
11 public comment period.

12 Sec. 309. (1) A municipality may sell an authorized municipi-
13 pal security at a competitive sale or a negotiated sale as deter-
14 mined in the authorizing resolution. If a municipality deter-
15 mines to sell a municipal security at a negotiated sale, the gov-
16 erning body shall expressly state the method and reasons for
17 choosing a negotiated sale instead of a competitive sale in the
18 resolution or ordinance authorizing the issuance or sale of the
19 municipal security.

20 (2) If a municipality determines to sell a municipal secur-
21 ity at a competitive sale, the municipality shall publish a
22 notice of sale at least 7 days before the date set for the sale,
23 in a publication printed in the English language and circulated
24 in this state that carries as a part of its regular service the
25 notices of the sale of municipal securities.

26 (3) A municipality shall award a municipal security sold at
27 a competitive sale to the bidder whose bid meets all

1 specifications and requirements and results in the lowest
2 interest cost to the municipality, unless all bids are rejected.

3 (4) A municipality may accept bids for the purchase of a
4 municipal security made in person, by mail, by facsimile, by
5 electronic means, or by any other means authorized by the
6 municipality.

7 Sec. 311. (1) A municipal security may be registrable as to
8 principal alone or as to both principal and interest under terms
9 and conditions determined by the governing body of the issuing
10 municipality.

11 (2) A municipality may authorize a trustee or other authen-
12 ticating agent to authenticate any municipal security executed by
13 the facsimile signatures of the officials of the municipality in
14 lieu of manual signatures of the officials of the issuing
15 municipality.

16 (3) Officials of a municipality may sign and seal a municipi-
17 pal security in facsimile form if so authorized by the governing
18 body of the issuing municipality.

19 (4) If authorized by the governing body of the issuing
20 municipality, ownership of a municipal security may be trans-
21 ferred by means of a recorded entry in a record maintained by the
22 issuing municipality, trustee, or other agent in lieu of printing
23 and transferring a new municipal security. However, this subsec-
24 tion does not preclude a municipality from the delivery of, and a
25 municipality shall have the authority to deliver, new municipal
26 securities as evidence of the originally issued municipal
27 security.

1 (5) If an individual acting in an official capacity signs or
2 affixes his or her signature to a municipal security under this
3 act and that individual ceases to be an officer before delivery
4 of the municipal security, the municipal security is valid the
5 same as if the individual had remained in office until delivery
6 of that municipal security.

7 Sec. 313. If a municipal security has become mutilated,
8 then the governing body of the municipality may by resolution
9 provide for the issuance of a new municipal security with like
10 terms, in exchange for and substitution of the mutilated municipi-
11 pal security. In all such cases the holder shall pay the reason-
12 able expenses and charges of such an exchange.

13 Sec. 315. (1) In determining to issue a municipal security,
14 a municipality may do 1 or more of the following:

15 (a) Authorize and enter into insurance contracts, agreements
16 for lines of credit, letters of credit, commitments to purchase
17 municipal securities, remarketing agreements, reimbursement
18 agreements, and any other transactions to enhance timely payment
19 of any municipal security.

20 (b) Authorize payment from the proceeds of the municipal
21 security, or from other funds available, of the cost of issuance,
22 including, but not limited to, fees for placement, fees or
23 charges for insurance, letters of credit, lines of credit, remar-
24 keting agreements, reimbursement agreements, or purchase or sales
25 agreements or commitments, or agreements to enhance timely pay-
26 ment of municipal securities.

1 (c) Authorize principal and interest to be payable from 1 or
2 more of the following:

3 (i) Taxes or other revenues of the municipality.

4 (ii) Proceeds of the municipal security.

5 (iii) Earnings on proceeds of the municipal security or
6 other funds held for payment of the municipal security.

7 (iv) Proceeds of any other transaction described in subdivi-
8 sion (a).

9 (d) Authorize or provide for an officer of the municipality,
10 but only within limitations that shall be contained in the autho-
11 rizing resolution of the governing body, to do 1 or more of the
12 following:

13 (i) Sell, deliver, and receive payment for the municipal
14 securities.

15 (ii) Refund the municipal securities in accordance with part
16 VI of this act.

17 (iii) Deliver a municipal security partly to refund another
18 security and partly for any other authorized purposes.

19 (iv) Buy the municipal security so issued at not more than
20 the face value of the municipal security.

21 (v) Approve fixed interest rates, variable interest rates,
22 or methods for fixing interest rates, prices, discounts, maturi-
23 ties, principal amounts, denominations, dates of issuance, inter-
24 est payment date, redemption rights at the option of the munici-
25 pality or the holder, the place of delivery and payment, and
26 other matters and procedures necessary to complete the
27 transactions authorized.

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1 (2) A municipality may provide that a municipal security
2 additionally secured as provided in subsection (1) may be payable
3 on demand or before maturity at the option of the holder only at
4 the time and in the manner determined by the governing body as
5 provided in the resolution authorizing the municipal security.

6 (3) The authority granted by this section may be exercised
7 notwithstanding any ordinance or charter provision to the
8 contrary.

9 Sec. 317. (1) For the purpose of more effectively managing
10 its debt service, a municipality may enter into an interest rate
11 exchange or swap, hedge, or similar agreement or agreements in
12 connection with the issuance of municipal securities or in con-
13 nection with its then outstanding municipal securities.

14 (2) In connection with entering into an interest rate
15 exchange or swap, hedge, or similar agreement, a municipality may
16 create a reserve fund for the payment of the exchange or swap,
17 hedge, or similar agreement.

18 (3) An agreement entered into pursuant to this section shall
19 not be included within the total debt of a municipality for any
20 statutory or charter debt limitation purpose and shall be payable
21 as a limited tax full faith and credit pledge from general funds
22 of the municipality or, subject to any existing contracts, from
23 any available money or revenue sources, including revenues that
24 shall be specified by the agreement, securing the municipal
25 security in connection with which the agreement is entered into.

26 Sec. 319. (1) Within 15 business days of completing the
27 issuance of any municipal security qualified under section

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1 303(3), the municipality, other than a state authority or agency,
2 shall file a copy of all of the following with the department in
3 a form and manner prescribed by the department:

4 (a) A copy of the municipal security.

5 (b) A proof of publication of the notice of sale, if
6 applicable.

7 (c) A copy of the award resolution or certificate of award
8 including a detail of the annual interest rate and call features
9 on the municipal security.

10 (d) A copy of the legal opinion regarding the legality and
11 tax status of the municipal security.

12 (e) A copy of the notice of rating of the municipal security
13 received from a recognized rating agency, if any.

14 (f) A copy of the resolution or ordinance authorizing the
15 issuance of the municipal security.

16 (g) A copy of the official statement, if any.

17 (h) For a refunding security, documentation indicating com-
18 pliance with section 611.

19 (i) A filing fee equaling 0.02% of the principal amount of
20 the municipal security issued, but in an amount not less than
21 \$100.00 and not greater than \$1,000.00, as determined by the
22 department.

23 (j) If the qualifying statement required by section 303(2)
24 was received by the department more than 6 months after the end
25 of the municipality's fiscal year, a late fee of \$100.00 with the
26 first filing thereafter.

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1 (k) For a municipal security issued under section 305(2),
2 documentation indicating compliance with section 305(2).

3 (2) Within 15 business days of completing the issuance of
4 any municipal security approved under section 303(7), the munici-
5 pality shall file all of the following with the department in a
6 form and manner prescribed by the department:

7 (a) A copy of the municipal security.

8 (b) A proof of publication of the notice of sale, if
9 applicable.

10 (c) A copy of the award resolution including a detail of the
11 annual interest rate and call features on the municipal
12 security.

13 (d) A copy of the legal opinion regarding the legality and
14 tax status of the municipal security.

15 (e) A copy of the notice of rating of the municipal security
16 received from a recognized rating agency, if any.

17 (f) A copy of the resolution or ordinance authorizing the
18 issuance of the municipal security.

19 (g) A copy of the official statement, if any.

20 (h) For a refunding security, documentation indicating com-
21 pliance with section 611.

22 (i) For a municipal security issued under section 305(2),
23 documentation indicating compliance with section 305(2).

24 (3) Within 15 business days of completing the issuance of
25 any security approved under section 303(10), this state or any
26 authority, agency, fund, commission, board, or department of this

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1 state shall file all of the following with the department in a
2 form and manner prescribed by the department:

3 (a) A copy of the security.

4 (b) A proof of publication of the notice of sale, if
5 applicable.

6 (c) A copy of the award resolution including a detail of the
7 annual interest rate and call features on the security.

8 (d) A copy of the legal opinion regarding the legality and
9 tax status of the security.

10 (e) A copy of the notice of rating of the security received
11 from a recognized rating agency, if any.

12 (f) A copy of the resolution or ordinance authorizing the
13 issuance of the security.

14 (g) A copy of the official statement, if any.

15 (h) For a refunding security, documentation indicating com-
16 pliance with section 611.

17 (4) The failure to comply with subsection (1), (2), or (3)
18 does not invalidate any of the securities issued or reported
19 under this act.

20 Sec. 321. The department may require that the filings to
21 the department required by this act be filed in an electronic
22 format prescribed by the department.

23 Sec. 323. The department may require a rating for a munici-
24 pal security issued without approval of the department as pro-
25 vided in section 303(3) if the principal amount of the municipal
26 security exceeds \$5,000,000.00.

1

PART IV

2

SHORT-TERM MUNICIPAL SECURITIES

3

Sec. 401. A municipality may, by resolution of its govern-

4 ing body, and without a vote of the electors, issue short-term

5 municipal securities in anticipation of and payable from taxes to

6 be collected by the municipality for its then next succeeding

7 fiscal year or the taxes for a current fiscal year, or if the

8 taxes for the next succeeding fiscal year and the taxes for the

9 current fiscal year are both levied in the same calendar year,

10 then in anticipation of and payable from the collection of both

11 of the taxes.

12 Sec. 403. (1) If a municipality issues a municipal security

13 in anticipation of the collection of the taxes for the next suc-

14 ceeding fiscal year, the resolution authorizing a municipal

15 security shall contain an irrevocable provision for the levying

16 of a tax in the next succeeding fiscal year for the purpose for

17 which the municipal security is to be made and the repayment of

18 the municipal security from the receipt of taxes.

19 (2) A municipality may issue the short-term municipal secur-

20 ity described in subsection (1) to pay for operating

21 expenditures. As used in this section, "operating expenditures"

22 means 1 or more of the following:

23 (a) Necessary operating expenditures of the municipality

24 that could not reasonably have been foreseen and adequately pro-

25 vided for in the tax levy for the then current fiscal year.

1 (b) Payment of an expenditure in the then current fiscal
2 year that cannot be funded because of a delay in or failure of
3 receipt of budgeted revenue.

4 (c) Payment of budgeted expenditures in the then current
5 fiscal year that precede budgeted revenues.

6 (3) The amount of the municipal securities issued under this
7 section to pay operating expenditures shall not exceed 50% of the
8 operating tax levy for the current fiscal year, or if the operat-
9 ing tax levy for the next succeeding fiscal year is determined,
10 then 50% of the levy for the next succeeding fiscal year. The
11 authorizing resolution shall provide that from the first collec-
12 tions of the operating taxes for the next succeeding fiscal year,
13 there shall be set aside in a special fund to be used for the
14 payment of principal and interest on the tax anticipation municipi-
15 pal security, a portion of each dollar that is not less than 125%
16 of the percentage that the principal amount of the municipal
17 security bears to the amount of the operating taxes until the
18 amount set aside is sufficient for the payment. If a municipali-
19 ty collects its taxes in installments and issues a municipal
20 security in anticipation of more than 1 installment, the require-
21 ments of the preceding sentence shall apply to each installment
22 of taxes. The collection of the taxes to be set aside shall not
23 be used for any other purpose. If the municipality determines
24 that issuing municipal securities for this purpose will result in
25 a deficiency in the funds available to pay the necessary operat-
26 ing expenditures of the next succeeding fiscal year, the
27 municipality shall levy additional taxes in the future from

1 within constitutional, charter, and statutory limits to prevent a
2 continuation of the deficiency from year to year.

3 (4) A municipality may issue a short-term municipal security
4 described in subsection (1) to pay for 1 or more capital improve-
5 ments that can be legally and properly provided for in the budget
6 of the municipality for the fiscal year in which the municipality
7 issues the short-term municipal security. The principal amount
8 of the municipal security issued for this purpose shall not
9 exceed the sum set forth in the authorizing resolution to be
10 levied for the improvement. The authorizing resolution shall
11 provide that from the first collection of taxes for the next suc-
12 ceeding fiscal year, there shall be set aside in a special fund
13 to be used for the payment of principal and interest on the
14 short-term municipal security that percentage of the collection
15 that the tax levied for capital outlay bears to the total levy,
16 and until the amount set aside is sufficient for the payment,
17 collection of the taxes to be set aside shall not be used for any
18 other purpose.

19 Sec. 405. (1) A municipality may issue short-term municipal
20 securities in anticipation of the collection of the taxes for a
21 current fiscal year for the payment of 1 or more of the
22 following:

23 (a) Operating expenditures.

24 (b) Debt service charges.

25 (c) Capital improvements.

26 (2) If the municipality issues short-term municipal
27 securities described in subsection (1) to pay operating

1 expenditures or debt service charges, the principal amount of
2 that municipal security issued under this section shall not
3 exceed 75% of the amount of the debt service taxes, if the pro-
4 ceeds of the municipal security are to pay debt service charges,
5 or 75% of the amount of the operating taxes, if the proceeds of
6 the municipal security are to pay operating expenditures, as pro-
7 vided for in the budget of the current fiscal year and that
8 remain to be collected at the time the authorizing resolution is
9 passed. However, if the resolution is passed before the day upon
10 which taxes for the year become due and payable, the principal
11 amount of the municipal security shall not exceed 50% of the tax
12 levy made for debt service or operating expenditures, respective-
13 ly, for the preceding fiscal year.

14 (3) The authorizing resolution shall provide that, from the
15 date of the authorizing resolution, from the collection of the
16 taxes remaining to be collected for the current fiscal year there
17 shall be set aside in a special fund, to be used for the payment
18 of principal and interest on the short-term municipal security, a
19 portion of each dollar of taxes remaining to be collected for the
20 current fiscal year not less than 125% of the percentage that the
21 principal amount of the municipal security bears to the amount of
22 the tax levied for debt service or operating expenditures,
23 respectively, that remain to be collected from the date of the
24 authorizing resolution until the amount set aside is sufficient
25 for that payment. The collection of the taxes to be set aside
26 shall not be used for any other purpose.

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1 (4) A municipality may issue short-term municipal securities
2 in anticipation of the collection of taxes for the current fiscal
3 year for the payment of 1 or more capital improvements that are
4 legally and properly provided for in the tax levy of the current
5 fiscal year. The principal amount of the municipal security
6 issued for this purpose shall not exceed the anticipated collec-
7 tion, based on the delinquency in collections of the levy of the
8 preceding fiscal year, of the sum included in the tax levy for
9 that purpose and remaining unpaid at the time the authorizing
10 resolution is passed. The authorizing resolution shall provide
11 that from the collections of the taxes for the current fiscal
12 year there shall be set aside in a special fund to be used for
13 the payment of principal and interest on the municipal security
14 that percentage of the collections that the tax levied for capi-
15 tal outlay bears to the total levy, and until the amount set
16 aside is sufficient for that payment, collection of the taxes to
17 be set aside shall be used for no other purpose.

18 (5) The principal amount outstanding of any municipal secur-
19 ity issued under section 403 shall be deducted from the total
20 principal amount of any municipal security that may be issued
21 under this section.

22 Sec. 407. (1) A municipality may, by resolution of its gov-
23 erning body, and without a vote of the electors, issue short-term
24 municipal securities in anticipation of revenue sharing payments
25 under the Glenn Steil state revenue sharing act of 1971, 1971 PA
26 140, MCL 141.901 to 141.921, for its next succeeding fiscal year,

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1 or for a current fiscal year, in accordance with the provisions
2 of this part.

3 (2) When a municipality issues municipal securities in
4 anticipation of the receipt of revenue sharing payments under the
5 Glenn Steil state revenue sharing act of 1971, 1971 PA 140,
6 MCL 141.901 to 141.921, for the current or next succeeding fiscal
7 year, the proceeds of the municipal securities shall be used only
8 for the payment of operating expenditures. The principal amount
9 of the municipal securities issued in accordance with this sec-
10 tion shall not exceed 50% of the total payments received in the
11 last preceding fiscal year of the municipality, as certified by
12 the department. The authorizing resolution shall provide that
13 from the first receipts of the payments for that fiscal year in
14 anticipation of which the municipality issued the municipal
15 security, there shall be set aside in a special fund to be used
16 for the payment of principal and interest on the municipal secur-
17 ity a portion of each dollar that is not less than 125% of the
18 percentage that the principal amount of the municipal security
19 bears to the amount of payments remaining to be collected, until
20 the amount set aside is sufficient for the payment of principal
21 and interest on the municipal security. The amount set aside
22 shall be used only for the payment of the principal and interest
23 on the municipal security until the municipal security is paid as
24 to both principal and interest.

25 Sec. 409. A municipal security issued pursuant to this part
26 shall bear no interest or interest at a rate not to exceed that
27 provided in part III and shall be payable not later than the

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1 estimated time of collection of an amount sufficient for its
2 payment out of the taxes or revenues pledged for the municipal
3 security, as determined by the governing body of the
4 municipality.

5 Sec. 411. The money in each special fund required by this
6 part shall be deposited in a bank account separate from any other
7 money of the municipality and shall be used for no purpose other
8 than to retire the municipal security for which the special fund
9 was established.

10 Sec. 413. (1) A municipality may by resolution of its gov-
11 erning body, and without a vote of its electors, issue a
12 short-term municipal security in anticipation of the proceeds of
13 a long-term municipal security it proposes to issue, or that will
14 be issued in its behalf. However, if required by law, issuance
15 of the long-term municipal security has been approved by the
16 electors of the municipality or, if required by law, a notice of
17 intent to issue the long-term municipal security or enter into a
18 contract has been published and all rights of referendum relating
19 to the notice have expired. The municipality shall pledge for
20 the payment of the principal, interest, and redemption premiums,
21 if any, on the short-term municipal security from 1 or more of
22 the sources and on the terms described in section 315 and from
23 any of the additional sources identified in subsection (2).

24 (2) The municipality, in determining to issue a short-term
25 municipal security under this section, may authorize principal,
26 interest, and redemption premiums, if any, on the short-term
27 municipal security to be payable from and secured by a pledge of

1 the proceeds of the long-term municipal security issued to refund
2 the short-term municipal security.

3 (3) The principal amount of a short-term municipal security
4 issued in anticipation of the issuance of long-term municipal
5 securities shall not exceed 50% of the principal amount of the
6 proposed long-term municipal security. The municipality shall in
7 the resolution authorizing the short-term municipal security
8 declare the necessity of the short-term municipal security and
9 state its purpose, the principal amount of the short-term munici-
10 pal security to be issued, and an estimated principal payment
11 schedule for and an estimated or maximum average annual interest
12 rate on the short-term municipal security. The issuance and
13 delivery of the short-term municipal security shall be conclusive
14 as to the existence of the facts entitling the short-term munici-
15 pal security to be issued in the principal amount of the
16 short-term municipal security and shall not be subject to attack
17 in any proceeding. A short-term municipal security shall mature
18 not more than the earlier of 3 years from the date of issuance or
19 60 days after the expected date of issuance of the long-term
20 municipal security in anticipation of which it is issued and may
21 bear no interest or interest at a fixed or variable rate or rates
22 of interest per annum, subject to the limitations in section
23 305.

24 (4) The proceeds of a short-term municipal security issued
25 under this section shall be used only for the purpose to which
26 the proceeds of the long-term municipal security may be applied,
27 the costs of issuance of the short-term municipal security and to

1 the payment of principal and interest on the short-term municipal
2 security.

3 Sec. 415. (1) A municipality may by resolution of its gov-
4 erning body, and without a vote of its electors, issue a
5 short-term municipal security in anticipation of the receipt of
6 grants from the United States, this state, or any agency or
7 instrumentality of the United States or this state and shall
8 pledge for the payment of the principal, interest, and redemption
9 premiums, if any, on that municipal security from 1 or more of
10 the sources and on the terms described in section 315 and from
11 any of the additional sources identified in subsection (2).

12 (2) The municipality that issues a short-term municipal
13 security under this section may pledge the proceeds of federal or
14 state grants for the payment of the interest and redemption pre-
15 miums, if any, on the municipal security.

16 (3) The principal amount of a municipal security issued
17 under this section shall not exceed 50% of the amount remaining
18 to be received by the municipality that is not still subject to
19 an appropriation from the granting agency under a written con-
20 tract from that granting agency that has been accepted by resolu-
21 tion by the municipality. The issuance and delivery of the
22 municipal security shall be conclusive evidence of the facts
23 entitling the municipality to issue the municipal security in the
24 principal amount issued and shall not be subject to attack in any
25 proceeding. The pledge of 100% of the funds the municipality
26 expects to receive from the granting agency may be secured by a
27 direct transfer of the committed funds from the granting agency

1 to a trustee or the Michigan municipal bond authority, if the
2 municipal security is sold to the Michigan municipal bond author-
3 ity, that is authorized to receive the funds by the authorizing
4 resolution adopted by the municipality. The municipal security
5 issued under this section shall mature not more than the earlier
6 of 18 months from the date of issuance or 6 months after the
7 expected date of receipt of grant proceeds and may bear no inter-
8 est or interest at a fixed or variable rate or rates of interest
9 per annum, subject to the limitations of section 305.

10 (4) The proceeds of the municipal security issued under this
11 section shall be used only for the purpose to which the proceeds
12 of the grant may be applied, the costs of issuance of the munici-
13 pal security, and the payment of principal and interest on the
14 municipal security.

15 PART V

16 LONG-TERM MUNICIPAL SECURITIES

17 Sec. 501. (1) Except as otherwise provided for by law, or
18 as otherwise provided in part VI, a municipal security issued by
19 a municipality under this act shall not mature later than the
20 estimated period of usefulness of the property or improvement for
21 which the municipal security is issued.

22 (2) In addition to the requirements of subsection (1), a
23 municipal security shall not mature later than the following time
24 periods:

25 (a) A municipal security issued in anticipation of special
26 assessments shall mature no later than 2 years after the time

1 fixed by law for the payment of the last installment of the
2 assessments from which the municipal security is payable.

3 (b) A municipal security issued to meet an emergency for
4 relief from fire, flood, or other calamity shall mature no later
5 than 5 years after the date of issuance.

6 (c) A municipal security issued to pay judgments against the
7 municipality, except judgments in condemnation proceedings, and
8 municipal securities issued for the purchase of personal proper-
9 ty, other than material for permanent construction, machinery for
10 public utilities, or original furnishings and equipment of new
11 buildings, shall mature no later than 10 years after the date of
12 issuance.

13 (d) All other municipal securities shall mature no later
14 than 30 years after the date of issuance.

15 Sec. 503. (1) Municipal securities of a single issue may
16 mature serially or be subject to mandatory redemptions, or both,
17 with maturities as fixed by the governing body of the
18 municipality. In any case, the first maturity or mandatory
19 redemption date shall occur not later than 5 years after the date
20 of issuance, and the total principal amount maturing or subject
21 to mandatory redemption in any year after 4 years from the date
22 of issuance shall not be less than 1/5 of the total principal
23 amount maturing or subject to mandatory redemption in any subse-
24 quent year.

25 (2) In the resolution authorizing the issuance of a munici-
26 pal security, the governing body of the municipality may provide
27 that the municipality may purchase municipal securities in the

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1 open market at a price not greater than that payable on the next
2 redemption date in order to satisfy all or part of the next suc-
3 ceeding scheduled mandatory redemption.

4 (3) The governing body of the municipality may provide that
5 some or all of the principal amounts maturing in any year may be
6 redeemed at the option of the municipality at the times, on the
7 terms and conditions, and at the price as provided by resolution
8 of the governing body, except that a municipality shall not agree
9 to pay a premium exceeding 3% of the principal amount being
10 redeemed.

11 (4) All outstanding and authorized municipal securities of a
12 school district payable out of taxes may be treated as a single
13 issue for the purpose of fixing maturities. Several series of
14 municipal securities issued under the same authorization may be
15 treated as a single issue for the purpose of fixing maturities.

[(5) A municipal security issued by a school district that is
sold in accordance with a federal program in which the holder of the
municipal security, as a result of holding the municipal security,
may declare a credit against a federal tax is exempt from the
provisions of subsection (1) if the school district deposits in
trust payments to provide for the repayment of the municipal
security and the first required payment shall occur not later than 5
years after the date of issuance and each required payment in any
year after 4 years from the date of issuance shall not be less than
1/5 of the total required payment in any subsequent year.]

16 Sec. 505. The total amount of municipal securities secured
17 by special assessments and pledging the limited tax full faith
18 and credit of the municipality shall at no time by reason of
19 future issues, other than issues of refunding securities, exceed
20 12% of the assessed value of the taxable property in the
21 municipality. A municipality shall not issue municipal securi-
22 ties secured by special assessments in any calendar year in an
23 amount greater than 3% of the assessed value of the municipality
24 unless authorized by majority vote of the electors or by a larger
25 vote as may be provided by statute or charter.

26 Sec. 507. A municipality issuing a municipal security in
27 anticipation of special assessments may, notwithstanding any

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1 charter or ordinance provisions to the contrary, charge a rate of
2 interest on the unpaid balance of the special assessments in
3 excess of the charter or ordinance limit on the municipal securi-
4 ty, but not in excess of a rate of more than 1% above the average
5 rate of interest borne by the municipal security.

6 Sec. 509. A municipality may pay interest that accrues on a
7 municipal security during the first 3 years after the date of
8 issuance of the municipal security from the proceeds of the sale
9 of the municipal security. In addition, a municipality may
10 establish a reserve fund, in an amount not exceeding 15% of the
11 principal amount of the municipal security issued from the pro-
12 ceeds of the sale of the municipal security which shall be held
13 solely for the payment of principal and interest on the municipal
14 security.

15 Sec. 511. Any county, township, city, or village, by reso-
16 lution of its governing body and without a vote of its electors,
17 may issue municipal securities for the purpose of funding any
18 part or all of a county or intercounty drain special assessment
19 made against the county, township, city, or village at large
20 under the provisions of the drain code of 1956, 1956 PA 40,
21 MCL 280.1 to 280.630. A municipal security described in this
22 section shall mature serially, the first annual maturity of which
23 shall fall due not more than 2 years from the date of issuance
24 and the last of which shall fall due not more than 10 years from
25 the date of issuance or not more than 1 year after the due date
26 of the last installment of the special assessment, whichever is
27 later. No maturity shall be less than 1/2 of the amount of any

1 subsequent maturity. A municipal security issued in accordance
2 with this section may be issued in 1 or more series and may fund
3 1 or more drain special assessments. The principal amount of a
4 municipal security that may be issued under this section shall
5 not exceed the principal amount of the special assessments to be
6 funded under this section. If any interest is to mature upon the
7 municipal security prior to the time of the next county, town-
8 ship, city, or village tax collection, then the governing body of
9 the county, township, city, or village shall make provision for
10 the payment of that amount when due. The debt evidenced by a
11 municipal security issued under this section shall not be
12 included within the debt of a township, city, or village for any
13 statutory or charter debt limitation purpose. No installment or
14 installments of a special assessment shall be funded under this
15 section unless payable in advance of the due date or due dates,
16 and if the drainage district has issued municipal securities, an
17 equal amount of the principal amount of the municipal securities
18 must be redeemable within 90 days from the delivery of the munic-
19 ipal securities to the purchaser of those municipal securities.
20 The provisions of this part together with the general provisions
21 of this act shall govern the issuance of a municipal security
22 authorized in this section except where inapplicable or inconsis-
23 tent with this section. All municipal securities issued under
24 this section shall be legal and valid, notwithstanding any ille-
25 gality in the special assessments funded by those municipal
26 securities.

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1 Sec. 513. (1) A municipality by resolution of its governing
2 body or by entry into an intergovernmental contract pursuant to
3 section 5 of 1951 PA 35, MCL 124.5, or pursuant to an amendment
4 to a contract adopted and made effective in accordance with the
5 terms of the contract, and without a vote of its electors, may
6 incur debt that shall not be considered debt of the municipality
7 for statutory, charter, or constitutional debt limits, and may
8 issue municipal securities secured by a limited tax full faith
9 and credit pledge for the purpose of either of the following:

10 (a) Paying premiums and other charges for coverages provided
11 by a pool established pursuant to 1951 PA 35, MCL 124.1 to
12 124.13, or evidencing fixed payment securities or securities to
13 make payments under specified contingencies pursuant to an inter-
14 governmental self-insurance pool contract approved by the state
15 treasurer, which contract is authorized under 1951 PA 35,
16 MCL 124.1 to 124.13.

17 (b) Establishing funds, reserves, or accounts in amounts
18 determined by the municipality to defray losses for which insur-
19 ance coverage could be provided by an insurer pursuant to the
20 insurance code of 1956, 1956 PA 218, MCL 500.100 to 500.8302, but
21 for which the municipality has determined to self-insure.

22 (2) Notwithstanding any provision of this act to the con-
23 trary, the municipal security issued under this section shall be
24 issued for the period of time determined by the governing body of
25 the municipality or pursuant to the contract, but not to exceed
26 30 years.

1 (3) A municipal security authorized under subsection (1)(a),
2 other than a municipal security to make payments under specified
3 contingencies, shall not be of a term exceeding the coverage pro-
4 vided in consideration for receipt of the proceeds of the munici-
5 pal security. A municipal security, other than a municipal
6 security issued to make payments under specified contingencies,
7 may mature annually or be subject to mandatory redemption
8 requirements, with the first annual maturity or mandatory redemp-
9 tion requirement to fall due 10 years or less from the date of
10 issuance. Annual maturity or redemption requirements, or a com-
11 bination of both, of a municipal security issued under this sec-
12 tion other than a municipal security issued to make payments
13 under specified contingencies, after 10 years from the date of
14 issuance shall not be less than 1/10 of the amount of any subse-
15 quent annual maturity or redemption requirement, or combination
16 of both. A municipal security issued pursuant to
17 subsection (1)(b) shall be subject to the provisions of this act
18 relating to the municipal security. A municipal security issued
19 or incurred under subsection (1)(a) shall be subject to this sec-
20 tion only and not to any other section or part of this act. The
21 self-insurance pool shall submit for approval by the state trea-
22 surer a copy of the intergovernmental contract pursuant to which
23 a municipal security is to be issued or incurred under
24 subsection (1)(a) prior to the effectiveness of the municipal
25 security.

26 Sec. 515. (1) A municipality may deliver a municipal
27 security to this state or the federal government for the purpose

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1 of defraying the whole or part of the cost of purchasing,
2 acquiring, constructing, improving, enlarging, extending, or
3 repairing any water supply or sewage disposal system or public
4 building or other public improvement.

5 (2) Parts IV, V, and VI do not apply to any municipal secur-
6 ity delivered to this state or the federal government to the
7 extent the requirements of this state or the federal government
8 relating to any of the terms of the debt conflict with the provi-
9 sions of this act.

10 (3) As used in this section:

11 (a) "Federal government" means the federal government or any
12 agency of the federal government.

13 (b) "This state" means this state or any department, agency,
14 board, commission, fund, corporation, or authority of this
15 state.

16 Sec. 517. (1) A county, city, village, or township may by
17 resolution of its governing body, and without a vote of its elec-
18 tors, issue a municipal security to pay the cost of any capital
19 improvement items, provided that the amount of taxes necessary to
20 pay the principal and interest on that municipal security,
21 together with the taxes levied for the same year, shall not
22 exceed the limit authorized by law.

23 (2) If a county, city, village, or township issues a munici-
24 pal security under this section, before issuance, the county,
25 city, village, or township shall publish a notice of intent to
26 issue the municipal security. The notice of intent shall be
27 directed to the electors of the county, city, village, or

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1 township, shall be published in a newspaper that has general
2 circulation in the county, city, village, or township, and shall
3 state the maximum amount of municipal securities to be issued,
4 the purpose of the municipal securities, the source of payment,
5 the right of referendum on the issuance of the municipal securi-
6 ties, and any other information the county, city, village, or
7 township determines necessary to adequately inform the electors
8 of the nature of the issue. The notice of intent shall not be
9 less than 1/4 page in size in the newspaper. If, within 45 days
10 after the publication of the notice of intent, a petition, signed
11 by not less than 10% or 15,000 of the registered electors, which-
12 ever is less, residing within the county, city, village, or town-
13 ship, is filed with the governing body of the county, city, vil-
14 lage, or township, requesting a referendum upon the question of
15 the issuance of the municipal securities, then the municipality
16 shall not issue the municipal securities until authorized by the
17 vote of a majority of the electors of the county, city, village,
18 or township qualified to vote and voting on the question at a
19 general or special election. A special election called for this
20 purpose shall not be included in a statutory or charter limita-
21 tion as to the number of special elections to be called within a
22 period of time. Signatures on the petition shall be verified by
23 a person under oath as the actual signatures of the persons whose
24 names are signed to the petition, and the governing body of the
25 county, city, village, or township shall have the same power to
26 reject signatures and petitions as city clerks under section 25
27 of the home rule city act, 1909 PA 279, MCL 117.25. The number

1 of registered electors in the county, city, village, or township
2 shall be determined by the governing body of the county, city,
3 village, or township.

4 (3) Municipal securities issued under subsection (1) by a
5 county, city, village, or township shall not exceed 5% of the
6 state equalized valuation of the property assessed in that
7 county, city, village, or township.

8 PART VI

9 REFUNDING

10 Sec. 601. (1) Subject to this act, a municipality may, by
11 resolution or ordinance adopted by its governing body and without
12 a vote of its electors, refund all or any part of its outstanding
13 securities by issuing refunding securities as described in this
14 part.

15 (2) A municipality may issue a refunding security whether
16 the outstanding security to be refunded has or has not matured,
17 is or is not redeemable on the date of issuance of the refunding
18 security, exceeds the original estimated period of usefulness but
19 not to exceed the current period of usefulness as determined by
20 the project engineer or architect, or is or is not subject to
21 redemption before maturity.

22 (3) A refunding security may be issued in a principal amount
23 greater than the principal amount of the outstanding securities
24 to be refunded as necessary to effect the refunding under the
25 refunding plan.

26 (4) A municipality may use the proceeds of a refunding
27 security to pay interest accrued, or to accrue, to the earliest

1 or any subsequent date of redemption, purchase, or maturity of
2 the outstanding security to be refunded, redemption premium, if
3 any, and any commission, service fee, and other expense necessary
4 to be paid in connection with the outstanding security to be
5 refunded. A municipality may also use the proceeds of a refund-
6 ing security to pay part of the cost of issuance of the refunding
7 security, interest on the refunding security, a reserve for the
8 payment of principal, interest, and redemption premiums on the
9 refunding security, and other necessary incidental expenses,
10 including, but not limited to, placement fees and fees or charges
11 for insurance, letters of credit, lines of credit, or commitments
12 to purchase the outstanding security to be refunded.

13 (5) A municipality may invest the proceeds of a refunding
14 security as provided in section 607(2).

15 (6) To the extent provided by the proceedings authorizing
16 the refunding security, principal, interest, and redemption pre-
17 miums on the refunding security shall be secured by and payable
18 from any or all of the following sources:

19 (a) Taxes or special assessments pledged for payment of a
20 municipal security being refunded.

21 (b) The proceeds of the refunding security.

22 (c) The reserve, if any, established for the payment of the
23 principal, interest, and redemption premiums on, the refunding
24 security or the outstanding security to be refunded.

25 (d) The proceeds of any insurance, letter of credit, or line
26 of credit acquired as security for the refunding security.

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1 (e) The proceeds of any refunding securities issued to
2 refund the refunding security.

3 (f) Revenues pledged for the outstanding security being
4 refunded.

5 (g) Investment earnings or profits on any of the sources
6 described in subdivisions (a) to (f).

7 Sec. 603. (1) Any outstanding security of a municipality
8 that has been assumed in part by another municipality may be
9 refunded by the municipalities as to their respective
10 liabilities.

11 (2) This act shall not be construed to prohibit a municipal-
12 ity from refunding any of its outstanding securities even though
13 some other municipality may be required to contribute to the pay-
14 ment of those outstanding securities, and that refunding is
15 hereby expressly authorized. Refunding authorized under this
16 subsection does not relieve any other municipality from a pledge
17 to make a contribution to the payment of an outstanding
18 security.

19 Sec. 605. The debt evidenced by a refunding security and
20 the tax levies used to repay the refunding security shall not be
21 deemed to be within any statutory or charter limitation of tax
22 rate or of outstanding debt limit, but shall be deemed to be
23 authorized in addition to any statutory or charter limitation of
24 tax rate or outstanding debt limit.

25 Sec. 607. (1) Money on hand applicable to the retirement of
26 outstanding securities to be refunded, or from proceeds of

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1 revenues pledged for these purposes, or both, shall be applied as
2 provided in the authorizing resolution.

3 (2) The proceeds of a refunding security and other available
4 money may be applied to payment of the principal, interest, or
5 redemption premiums, if any, on the refunded outstanding securi-
6 ties at maturity or on any prior redemption date or may be depos-
7 ited in trust for use to purchase and deposit in trust direct
8 obligations of the United States, direct noncallable and nonpre-
9 payable obligations that are unconditionally guaranteed by the
10 United States government as to full and timely payment of princi-
11 pal and interest, noncallable and nonprepayable coupons from the
12 above obligations that are stripped pursuant to United States
13 treasury programs, and resolution funding corporation bonds and
14 strips, the principal and interest on which when due, together
15 with other available money, will provide funds sufficient to pay
16 principal, interest, and redemption premiums, if any, on the
17 refunded outstanding securities as the refunded outstanding
18 securities become due, whether by maturity or on a prior redemp-
19 tion date, as provided in the authorizing resolution.

20 (3) The pledge and covenants of a municipality related to
21 refunded outstanding securities for which the municipality has
22 deposited in trust proceeds of a refunding security and other
23 available money as described in subsection (2) is considered to
24 have been fully and legally performed and defeased.

25 Sec. 609. A refunding security issued to refund municipal
26 securities issued under the terms of the drain code of 1956, 1956
27 PA 40, MCL 280.1 to 280.630, shall be of the same character as

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1 the refunded outstanding municipal security and shall be
2 construed to be a continuation of the refunded outstanding munic-
3 ipal security. [A] refunding security issued to refund an
4 outstanding municipal security secured by an unlimited tax full
5 faith and credit pledge shall be secured by an unlimited tax full
6 faith and credit pledge. [Refunding securities for outstanding
7 securities issued under the revenue bond act of 1933, 1933 PA 94,
8 MCL 141.101 to 141.140, shall be secured by the same pledge as the
9 outstanding securities being refunded.] All other refunding
10 securities issued
11 under this part shall be secured by a limited tax full faith and
12 credit pledge of the issuing municipality.

13 Sec. 611. (1) Except as provided in section 515 or subsec-
14 tion (2), a municipality shall not refund all or any part of its
15 outstanding securities by issuing a refunding security unless the
16 net present value of the principal and interest to be paid on the
17 refunding security, including the cost of issuance, is less than
18 the net present value of the principal and interest to be paid on
19 the outstanding security being refunded as calculated using a
20 method approved by the department. [However, when a municipality is
21 issuing refunding securities for outstanding variable interest rate
22 securities, as determined by the department the net present value
23 calculation shall use the appropriate current fixed interest rate
24 and the fixed interest rate that would have been available for the
25 outstanding variable interest rate securities when originally issued
26 if the outstanding variable interest rate securities had been issued
27 as fixed interest rate securities or shall use another procedure
determined by the department.]

(2) A municipality may, under procedures established by the
department, obtain an exception from the requirements of
subsection (1) if the department determines a reasonable basis
for that exception exists. As used in this subsection, reason-
able basis means 1 or more of the following:

(a) The refunding is required by a state or federal agency.

(b) The refunding is necessary to reduce or eliminate
requirements of ordinances or covenants applicable to the exist-
ing outstanding security.

(c) The refunding is necessary to avoid a potential default
on an outstanding security.

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1 (d) The refunding of a short-term municipal security issued
2 under section 413.

3 Sec. 613. Refunding securities are not subject to section
4 503(1), (2), and (3).

5 PART VII

6 TAX LEVIES, DEBT RETIREMENT, AND SINKING FUND

7 Sec. 701. (1) Subject to subsection (3), if a municipality
8 has municipal securities outstanding, or with the approval of its
9 electors has authorized the issuance of municipal securities to
10 be paid from collections of its next tax levy, an officer or
11 official body charged with a duty in connection with the determi-
12 nation of the amount of the next taxes to be raised or with the
13 levying of the next taxes, shall include all of the following in
14 the amount of taxes levied each year:

15 (a) An amount such that the estimated collections will be
16 sufficient to promptly pay, when due, the interest on all munici-
17 pal securities and the portion of the principal falling due
18 whether by maturity or by mandatory redemption before the time of
19 the following year's tax collection.

20 (b) An amount, if there are outstanding mandatory redemption
21 refunding securities, sufficient to provide the sum required to
22 be deposited, by the ordinance or resolution authorizing the
23 issue, into the sinking fund for that purpose before the time of
24 the following year's tax collection.

25 (c) An amount, if there are outstanding mandatory redemption
26 municipal securities other than refunding securities not required
27 to be redeemed in annual amounts before the maturity of the

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1 outstanding mandatory redemption municipal securities, that if
2 deposited annually into a sinking fund will, with the existing
3 sinking fund pertaining to the municipal securities and the
4 increment of the municipal securities, be sufficient to pay the
5 municipal securities at maturity.

6 (2) Subsection (1) does not limit the amount required to be
7 levied in a year for the purposes prescribed in that subsection,
8 by the terms of an ordinance or resolution authorizing the issu-
9 ance of the municipal securities.

10 (3) If the municipal securities were authorized or issued
11 before December 23, 1978, or were approved by the electors of a
12 municipality, the municipality shall levy the full amount of
13 taxes required by this section for the payment of the municipal
14 securities without limitation as to rate or amount and in addi-
15 tion to other taxes that the municipality may be authorized to
16 levy. If the municipal securities were authorized or issued by a
17 municipality after December 22, 1978, and were not approved by
18 the electors of the municipality, the municipality shall set
19 aside each year from the levy and collection of ad valorem taxes
20 as required by this section as a first budget obligation for the
21 payment of the municipal securities. However, the ad valorem
22 taxes shall be subject to applicable charter, statutory, or con-
23 stitutional rate limitations.

24 (4) If there is surplus money on hand for the payment of
25 principal or interest at the time of making an annual tax levy,
26 and provision has not been made in the authorizing resolution for

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1 the disposition of that money, the annual levy for principal or
2 interest shall be adjusted to reflect available funds.

3 (5) Money remaining in a debt retirement fund from the levy
4 of a tax or an account within a debt retirement fund from the
5 levy of a tax after the retirement of all municipal securities
6 payable from that fund shall be used [in the following order of
7 priority:

8 (a) To pay other outstanding unlimited tax full faith and
9 credit municipal securities.

10 (b) To pay other outstanding limited tax full faith and credit
municipal securities.

(c) To be deposited in the general fund of the municipality.]

11 (6) As taxes are collected, there shall be set aside that
12 portion of the collections that is allocable to the payment of
13 the principal and interest on the municipal securities. The por-
14 tion set aside shall be divided pro rata among the various sink-
15 ing funds and debt retirement funds in accordance with the amount
16 levied for that purpose. Tax collections paid into a debt
17 retirement fund, if the fund is for the payment of more than 1
18 issue of municipal securities, shall be allocated on the books
19 and records of the municipality between the various issues in
20 accordance with the amounts levied for that purpose.

21 (7) An officer who willfully fails to perform duties
22 required by this section is personally liable to the municipality
23 or to a holder of a municipal security for loss or damage arising
24 from his or her failure.

25 Sec. 705. (1) Debt retirement funds, except in the case of
26 a common debt retirement fund maintained by a school district
27 pursuant to section 1223 of the revised school code, 1976 PA 451,

1 MCL 380.1223, shall be accounted for separately and, debt
2 retirement funds, except as provided in section 701(5), shall be
3 used only to retire the municipal securities of the municipality
4 for which the debt retirement fund was created. Debt retirement
5 funds created for the following categories of debt evidenced by a
6 municipal security may be pooled or combined for deposit or
7 investment purposes only with other debt retirement funds created
8 for the same category of debt evidenced by a municipal security:

9 (a) Voted debt.

10 (b) Nonvoted debt, other than special assessment debt.

11 (c) Special assessment debt.

12 (2) When any municipality completes the retirement of a debt
13 evidenced by a municipal security or accumulates sufficient funds
14 in the debt retirement fund for the retirement of the debts evi-
15 denced by a municipal security, the governing body of the munici-
16 pality shall certify that the debt evidenced by a municipal
17 security is retired or that the debt retirement fund is of suffi-
18 cient amount to retire the debt evidenced by a municipal security
19 to the county treasurer of the county in which the municipality
20 is located, and the county treasurer shall no longer be required
21 to recognize a levy for the debt or municipal security issue.

22 Sec. 707. Any municipality issuing a mandatory redemption
23 refunding security under the provisions of part VI shall provide
24 a sinking fund or funds for the retirement of the refunding
25 security, and there shall be deposited in each sinking fund annu-
26 ally an amount sufficient to pay the principal of that refunding
27 security at or before maturity. All sinking fund money for the

1 retirement of a refunding security shall be accounted for
2 separately and shall be used only for the payment or purchase of
3 the refunding security.

4 CHAPTER VIII

5 Sec. 801. This act takes effect March 1, 2002.

6 Sec. 803. (1) The following are repealed effective March 1,
7 2002:

8 (a) Chapters I, II, IV, V, VI, VII, VIII, and IX of the
9 municipal finance act, 1943 PA 202, MCL 131.1 to 132.4 and 134.1
10 to 139.3.

11 (b) Sections 1 to 9 and sections 12 to 15 of chapter III of
12 the municipal finance act, 1943 PA 202, MCL 133.1 to 133.9 and
13 133.12 to 133.15.

14 (2) The municipal finance act, 1943 PA 202, 133.10 to
15 133.11, is repealed effective April 30, 2002.

16 Sec. 805. The administrative rules of the municipal finance
17 division are repealed effective March 1, 2002.

18 Sec. 807. All orders granting exceptions from prior
19 approval of debts or securities issued by the department shall
20 continue in force and effect until the expiration date expressly
21 contained in the order. The terms of the municipal finance act,
22 1943 PA 202, MCL 131.1 to 139.3, and the administrative rules of
23 the municipal finance division shall apply with respect to any
24 security issued pursuant to an order of the department that was
25 issued before May 1, 2002.

26 Sec. 809. All orders approving the issuance of securities
27 issued by the department shall continue in force and effect until

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1 October 31, 2002. The terms of the municipal finance act, 1943
2 PA 202, MCL 131.1 to 139.3, shall apply with respect to any
3 security issued pursuant to an order of the department that was
4 issued before May 1, 2002.

5 Sec. 811. Except as provided by sections 807 and 809, sec-
6 tion 303 replaces and reenacts sections 10 and 11 of chapter III
7 of the municipal finance act, 1943 PA 202, MCL 133.10 and
8 133.11.

9 Sec. 813. Except as provided by sections 807 and 809, sec-
10 tion 317 replaces and reenacts section 15 of chapter III of the
11 municipal finance act, 1943 PA 202, MCL 133.15.

12 Sec. 815. Any security that, by the terms of the act that
13 authorizes its issuance, is exempt from the terms of the munici-
14 pal finance act, 1943 PA 202, MCL 131.1 to 139.3, is exempt from
15 the terms of this act.

16 Sec. 817. Except as provided by sections 807 and 809, sec-
17 tion 305 replaces and reenacts section 1a of chapter III of the
18 municipal finance act, 1943 PA 202, MCL 133.1a.

19 Sec. 819. Any securities previously issued under or in
20 accordance with the authority contained in the municipal finance
21 act, 1943 PA 202, MCL 131.1 to 139.3, are hereby validated.

22 Sec. 821. (1) Beginning March 1, 2002 and ending April 30,
23 2002, a municipality planning to issue a municipal security may
24 do either of the following:

25 (a) Seek approval or exception from prior approval of the
26 municipal security from the department in accordance with

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1 sections 10 and 11 of chapter III of the municipal finance act,
2 1943 PA 202, MCL 133.10 and 133.11.

3 (b) Seek qualified status in accordance with section 303, by
4 filing a qualifying statement referencing the most recent audit
5 report of the municipality previously filed with the department
6 prior to the effective date of this act, or if not previously
7 timely filed, by attaching a copy of the audit report for the
8 most recently completed fiscal year for which an audit has been
9 completed.

10 (2) If a municipality elects to seek qualified status as
11 described in subsection (1) during the period between March 1,
12 2002 and May 1, 2002, the department shall determine within 30
13 business days of receipt of the qualifying statement whether the
14 municipality complies with the requirements of section 303(3).
15 If the department determines that the municipality complies with
16 the provisions of section 303(3) or if the department fails to
17 notify the municipality of its determination under this subsec-
18 tion within 30 business days of receipt of the qualifying state-
19 ment, the municipality may proceed to issue municipal securities
20 in accordance with this act without further approval from the
21 department until 30 business days after the next qualifying
22 statement is due or received by the department, whichever occurs
23 first.

24 (3) If a municipality is not granted qualified status pursu-
25 ant to subsection (2), or if a municipality does not file a qual-
26 ifying statement as described in subsection (1), the municipality
27 shall comply with section 303(7) for each municipal security

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1 issued until the municipality obtains qualified status based on
2 the audit report and qualifying statement next duly filed by the
3 municipality in accordance with section 303.