

# HOUSE BILL No. 5465

November 27, 2007, Introduced by Reps. Corriveau and Valentine and referred to the Committee on Retiree Health Care Reforms.

A bill to amend 2001 PA 34, entitled  
"Revised municipal finance act,"  
(MCL 141.2101 to 141.2821) by adding section 518.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           SEC. 518. (1) THROUGH SEPTEMBER 30, 2010, A COUNTY, CITY,  
2 VILLAGE, OR TOWNSHIP MAY BY ORDINANCE OR RESOLUTION OF ITS  
3 GOVERNING BODY, AND WITHOUT A VOTE OF ITS ELECTORS, ISSUE A  
4 MUNICIPAL SECURITY UNDER THIS SECTION TO PAY THE COSTS OF THE  
5 UNFUNDED ACCRUED LIABILITY PROVIDED THAT THE AMOUNT OF TAXES  
6 NECESSARY TO PAY THE PRINCIPAL AND INTEREST ON THAT MUNICIPAL  
7 SECURITY, TOGETHER WITH THE TAXES LEVIED FOR THE SAME YEAR, SHALL  
8 NOT EXCEED THE LIMIT AUTHORIZED BY LAW. POSTEMPLOYMENT HEALTH CARE  
9 BENEFITS MAY BE FUNDED BY THE COUNTY, CITY, VILLAGE, OR TOWNSHIP,  
10 NOTWITHSTANDING THE FACT THAT THE COUNTY, CITY, VILLAGE, OR  
11 TOWNSHIP HAS NO LEGAL OBLIGATION TO PAY THE BENEFITS OR HAS THE

1 RIGHT TO ALTER OR ELIMINATE THE PAYMENT OF THOSE BENEFITS. THE  
2 FUNDING OF POSTEMPLOYMENT HEALTH CARE BENEFITS BY A COUNTY, CITY,  
3 VILLAGE, OR TOWNSHIP AS PROVIDED IN THIS ACT SHALL NOT CONSTITUTE A  
4 CONTRACT TO PAY THE POSTEMPLOYMENT HEALTH CARE BENEFITS.

5 (2) BEFORE A COUNTY, CITY, VILLAGE, OR TOWNSHIP ISSUES A  
6 MUNICIPAL SECURITY UNDER THIS SECTION, THE COUNTY, CITY, VILLAGE,  
7 OR TOWNSHIP SHALL PUBLISH A NOTICE OF INTENT TO ISSUE THE MUNICIPAL  
8 SECURITY. THE NOTICE OF INTENT AND THE RIGHTS OF REFERENDUM SHALL  
9 MEET THE REQUIREMENTS OF SECTION 517(2) EXCEPT THAT PETITIONERS  
10 SHALL HAVE 60 DAYS AFTER THE PUBLICATION OF THE NOTICE OF INTENT TO  
11 FILE A PETITION AND THE REGISTERED ELECTOR REQUIREMENT SHALL BE NOT  
12 LESS THAN 5% OR 10,000 REGISTERED ELECTORS, WHICHEVER IS LESS.

13 (3) A COUNTY, CITY, VILLAGE, OR TOWNSHIP BY RESOLUTION AND  
14 WITH A VOTE OF ITS ELECTORS MAY ISSUE A MUNICIPAL SECURITY PLEDGING  
15 ITS UNLIMITED TAXES TO PAY THE COSTS OF AN UNFUNDED ACCRUED  
16 LIABILITY.

17 (4) THE PROCEEDS OF A MUNICIPAL SECURITY ISSUED UNDER THIS  
18 SECTION MAY BE USED TO PAY THE COSTS OF ISSUANCE OF THE MUNICIPAL  
19 SECURITY. THE PROCEEDS OF A MUNICIPAL SECURITY ISSUED UNDER THIS  
20 SECTION SHALL BE DEPOSITED IN A HEALTH CARE TRUST FUND; A TRUST  
21 CREATED BY THE ISSUER WHICH HAS AS ITS BENEFICIARY A HEALTH CARE  
22 TRUST FUND; OR FOR A COUNTY, CITY, VILLAGE, OR TOWNSHIP, A  
23 RESTRICTED FUND WITHIN A TRUST THAT WOULD ONLY BE USED TO RETIRE  
24 THE MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) OR (3). A  
25 COUNTY, CITY, VILLAGE, OR TOWNSHIP SHALL HAVE THE POWER TO CREATE A  
26 TRUST TO CARRY OUT THE PURPOSES OF THIS SUBSECTION. THE TRUST  
27 CREATED UNDER THIS SUBSECTION SHALL INVEST ITS FUNDS IN THE SAME

1 MANNER AS FUNDS INVESTED BY A HEALTH CARE TRUST FUND. THE TRUST  
2 CREATED UNDER THIS SUBSECTION SHALL COMPLY WITH ALL OF THE  
3 FOLLOWING:

4 (A) REPORT ITS FINANCIAL CONDITION ACCORDING TO GENERALLY  
5 ACCEPTED ACCOUNTING PRINCIPLES.

6 (B) BE TAX EXEMPT UNDER THE INTERNAL REVENUE CODE.

7 (5) BEFORE A COUNTY, CITY, VILLAGE, OR TOWNSHIP ISSUES A  
8 MUNICIPAL SECURITY UNDER THIS SECTION, THE COUNTY, CITY, VILLAGE,  
9 OR TOWNSHIP SHALL PREPARE AND MAKE AVAILABLE TO THE PUBLIC A  
10 COMPREHENSIVE FINANCIAL PLAN THAT INCLUDES ALL OF THE FOLLOWING:

11 (A) EVIDENCE THAT THE ISSUANCE OF THE MUNICIPAL SECURITY  
12 TOGETHER WITH OTHER FUNDS LAWFULLY AVAILABLE WILL BE SUFFICIENT TO  
13 ELIMINATE THE UNFUNDED ACCRUED LIABILITY.

14 (B) A DEBT SERVICE AMORTIZATION SCHEDULE AND A DESCRIPTION OF  
15 ACTIONS REQUIRED TO SATISFY THE DEBT SERVICE AMORTIZATION SCHEDULE.

16 (C) A CERTIFICATION BY THE PERSON PREPARING THE PLAN THAT THE  
17 COMPREHENSIVE FINANCIAL PLAN IS COMPLETE AND ACCURATE.

18 (D) DOCUMENTATION THAT THE ISSUANCE OF MUNICIPAL SECURITIES  
19 WILL RESULT IN PROJECTED PRESENT VALUE SAVINGS REGARDING THE  
20 UNFUNDED ACCRUED LIABILITY.

21 (E) A PLAN IN PLACE FROM THE COUNTY, CITY, VILLAGE, OR  
22 TOWNSHIP TO MITIGATE THE INCREASE IN HEALTH CARE COSTS AND MAY  
23 INCLUDE A WELLNESS PROGRAM THAT PROMOTES THE MAINTENANCE OR  
24 IMPROVEMENT OF HEALTHY BEHAVIORS.

25 (6) MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) OR (3) BY  
26 A COUNTY, CITY, VILLAGE, OR TOWNSHIP, AND CURRENTLY OUTSTANDING,  
27 SHALL NOT EXCEED 5% OF THE STATE EQUALIZED VALUATION OF THE

1 PROPERTY ASSESSED IN THAT COUNTY, CITY, VILLAGE, OR TOWNSHIP.

2 (7) MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) OR (3) BY  
3 A COUNTY, CITY, VILLAGE, OR TOWNSHIP AND THE INTEREST ON AND INCOME  
4 FROM THE MUNICIPAL SECURITIES ARE EXEMPT FROM TAXATION BY THIS  
5 STATE OR A POLITICAL SUBDIVISION OF THIS STATE.

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

10 (9) MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) OR (3) BY  
11 A COUNTY, CITY, VILLAGE, OR TOWNSHIP SHALL NOT ON A CUMULATIVE  
12 BASIS EXCEED 75% OF CURRENT UNFUNDED ACCRUED LIABILITIES ON  
13 POSTEMPLOYMENT HEALTH CARE BENEFITS OWED TO EMPLOYEES OF THE  
14 COUNTY, CITY, VILLAGE, OR TOWNSHIP THAT EXIST ON THE DATE OF THE  
15 AMENDATORY ACT THAT ADDED THIS SUBSECTION.

16 (10) A COUNTY, CITY, VILLAGE, OR TOWNSHIP SHALL NOT ISSUE A  
17 MUNICIPAL SECURITY UNDER SUBSECTION (1) OR (3) UNLESS THE COUNTY,  
18 CITY, VILLAGE, OR TOWNSHIP HAS BEEN ASSIGNED A CREDIT RATING WITHIN  
19 THE CATEGORY OF AA OR HIGHER BY AT LEAST 1 NATIONALLY RECOGNIZED  
20 RATING AGENCY.

21 (11) A COUNTY, CITY, VILLAGE, OR TOWNSHIP SHALL NOT ISSUE A  
22 MUNICIPAL SECURITY UNDER SUBSECTION (1) OR (3) UNLESS THE PROJECTED  
23 DIFFERENCE BETWEEN THE ASSUMED RATE OF RETURN ON THE HEALTH CARE  
24 TRUST FUND INVESTMENTS AND THE PROJECTED ACTUAL INTEREST RATE PAID  
25 ON THE MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) OR (3) IS  
26 NOT LESS THAN 100 BASIS POINTS

27 (12) BEFORE A COUNTY, CITY, VILLAGE, OR TOWNSHIP ISSUES A

1 MUNICIPAL SECURITY UNDER THIS SECTION, THE COUNTY, CITY, VILLAGE,  
2 OR TOWNSHIP SHALL OBTAIN THE APPROVAL OF THE DEPARTMENT OF  
3 TREASURY. THE DEPARTMENT OF TREASURY SHALL REVIEW THE PROPOSED  
4 ISSUANCE OF MUNICIPAL SECURITIES AND IF IT VERIFIES THAT THE  
5 COUNTY, CITY, VILLAGE, OR TOWNSHIP MEETS THE REQUIREMENTS OF THIS  
6 SECTION, THE DEPARTMENT OF TREASURY SHALL APPROVE THE ISSUANCE OF  
7 MUNICIPAL SECURITIES UNDER THIS SECTION.

8 Enacting section 1. This amendatory act does not take effect  
9 unless all of the following bills of the 94th Legislature are  
10 enacted into law:

11 (a) Senate Bill No. \_\_\_\_\_ or House Bill No. 5466 (request no.  
12 05577'07).

13 (b) House Bill No. 4451.