

# SENATE BILL No. 927

October 20, 2009, Introduced by Senators JANSEN, HARDIMAN and KAHN and referred to the Committee on Appropriations.

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

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

1       Sec. 103. As used in this act:

2       (a) "Assessed value", "assessed valuation", "valuation as  
3       assessed", and "valuation as shown by the last preceding tax  
4       assessment roll", or similar terms, used in this act, any statute,  
5       or charter as a basis for computing limitations upon the taxing or  
6       borrowing power of any municipality, mean the state equalized  
7       valuation as determined under the general property tax act, 1893 PA  
8       206, MCL 211.1 to ~~211.157~~ 211.155.

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

1 2, MCL 141.422b.

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

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

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

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

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

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

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

5 (I) "HEALTH CARE TRUST FUND" MEANS A TRUST OR FUND CREATED IN  
6 ACCORDANCE WITH THE PUBLIC EMPLOYEE HEALTH CARE FUND INVESTMENT  
7 ACT, 1999 PA 149, MCL 38.1211 TO 38.1216, OR OTHER STATE OR FEDERAL  
8 STATUTE, AND USED EXCLUSIVELY TO PROVIDE FUNDING FOR POSTEMPLOYMENT  
9 HEALTH CARE BENEFITS FOR PUBLIC EMPLOYEE RETIREES OF A COUNTY,  
10 CITY, VILLAGE, OR TOWNSHIP. A HEALTH CARE TRUST FUND ALSO INCLUDES  
11 THE RETIREE HEALTH FUND VEHICLE ADMINISTERED BY THE MUNICIPAL  
12 EMPLOYEES RETIREMENT SYSTEM DESCRIBED IN THE MUNICIPAL EMPLOYEES  
13 RETIREMENT ACT OF 1984, 1984 PA 427, MCL 38.1501 TO 38.1555, FOR A  
14 COUNTY, CITY, VILLAGE, OR TOWNSHIP THAT HAS ADOPTED THE MUNICIPAL  
15 EMPLOYEE RETIREMENT SYSTEM TO PROVIDE FUNDING FOR POSTEMPLOYMENT  
16 HEALTH CARE BENEFITS FOR PUBLIC EMPLOYEE RETIREES.

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

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

25 (ii) Special assessments.

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

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

3           (K) ~~(j)~~—"Municipality" means a county, township, city,  
4 village, school district, intermediate school district, community  
5 college district, metropolitan district, port district, drainage  
6 district, 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, agency,  
9 fund, commission, board, or department of this state.

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

17           (M) ~~(l)~~—"Qualified status" means a municipality that has filed  
18 a 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           (N) ~~(m)~~—"Refunding security" means a municipal security issued  
22 to refund an outstanding security.

23           (O) ~~(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 municipality,  
26 which pledges payment of the debt by the municipality from an  
27 identified source of revenue.

1           (P) ~~(e)~~—"Sinking fund" means a fund for the payment of  
2 principal only of a mandatory redemption security.

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

6           (R) "UNFUNDED ACCRUED LIABILITY" MEANS THE DIFFERENCE BETWEEN  
7 THE ASSETS AND LIABILITIES OF A HEALTH CARE TRUST FUND AS  
8 DETERMINED BY AN ACTUARIAL STUDY CONDUCTED PURSUANT TO RULE 43 OR  
9 45 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD.

10           SEC. 518. (1) THROUGH SEPTEMBER 30, 2014, A COUNTY, CITY,  
11 VILLAGE, OR TOWNSHIP MAY BY ORDINANCE OR RESOLUTION OF ITS  
12 GOVERNING BODY, AND WITHOUT A VOTE OF ITS ELECTORS, ISSUE A  
13 MUNICIPAL SECURITY UNDER THIS SECTION TO PAY THE COSTS OF THE  
14 UNFUNDED ACCRUED LIABILITY PROVIDED THAT THE AMOUNT OF TAXES  
15 NECESSARY TO PAY THE PRINCIPAL AND INTEREST ON THAT MUNICIPAL  
16 SECURITY, TOGETHER WITH THE TAXES LEVIED FOR THE SAME YEAR, SHALL  
17 NOT EXCEED THE LIMIT AUTHORIZED BY LAW. POSTEMPLOYMENT HEALTH CARE  
18 BENEFITS MAY BE FUNDED BY THE COUNTY, CITY, VILLAGE, OR TOWNSHIP.  
19 THE FUNDING OF POSTEMPLOYMENT HEALTH CARE BENEFITS BY A COUNTY,  
20 CITY, VILLAGE, OR TOWNSHIP AS PROVIDED IN THIS ACT SHALL NOT  
21 CONSTITUTE A CONTRACT TO PAY THE POSTEMPLOYMENT HEALTH CARE  
22 BENEFITS.

23           (2) BEFORE A COUNTY, CITY, VILLAGE, OR TOWNSHIP ISSUES A  
24 MUNICIPAL SECURITY UNDER THIS SECTION, THE COUNTY, CITY, VILLAGE,  
25 OR TOWNSHIP SHALL PUBLISH A NOTICE OF INTENT TO ISSUE THE MUNICIPAL  
26 SECURITY. THE NOTICE OF INTENT AND THE RIGHTS OF REFERENDUM SHALL  
27 MEET THE REQUIREMENTS OF SECTION 517(2) EXCEPT THAT PETITIONERS

1 SHALL HAVE 60 DAYS AFTER THE PUBLICATION OF THE NOTICE OF INTENT TO  
2 FILE A PETITION AND THE REGISTERED ELECTOR REQUIREMENT SHALL BE NOT  
3 LESS THAN 5% OR 10,000 REGISTERED ELECTORS, WHICHEVER IS LESS.

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

8 (4) THE PROCEEDS OF A MUNICIPAL SECURITY ISSUED UNDER THIS  
9 SECTION MAY BE USED TO PAY THE COSTS OF ISSUANCE OF THE MUNICIPAL  
10 SECURITY. THE PROCEEDS OF A MUNICIPAL SECURITY ISSUED UNDER THIS  
11 SECTION SHALL BE DEPOSITED IN A HEALTH CARE TRUST FUND; A TRUST  
12 CREATED BY THE ISSUER WHICH HAS AS ITS BENEFICIARY A HEALTH CARE  
13 TRUST FUND; OR FOR A COUNTY, CITY, VILLAGE, OR TOWNSHIP, A  
14 RESTRICTED FUND WITHIN A TRUST THAT WOULD ONLY BE USED TO RETIRE  
15 THE MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) OR (3). A  
16 COUNTY, CITY, VILLAGE, OR TOWNSHIP SHALL HAVE THE POWER TO CREATE A  
17 TRUST TO CARRY OUT THE PURPOSES OF THIS SUBSECTION. THE TRUST  
18 CREATED UNDER THIS SUBSECTION SHALL INVEST ITS FUNDS IN THE SAME  
19 MANNER AS FUNDS INVESTED BY A HEALTH CARE TRUST FUND. THE TRUST  
20 CREATED UNDER THIS SUBSECTION SHALL COMPLY WITH ALL OF THE  
21 FOLLOWING:

22 (A) REPORT ITS FINANCIAL CONDITION ACCORDING TO GENERALLY  
23 ACCEPTED ACCOUNTING PRINCIPLES.

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

25 (5) BEFORE A COUNTY, CITY, VILLAGE, OR TOWNSHIP ISSUES A  
26 MUNICIPAL SECURITY UNDER THIS SECTION, THE COUNTY, CITY, VILLAGE,  
27 OR TOWNSHIP SHALL PREPARE AND MAKE AVAILABLE TO THE PUBLIC A

1 COMPREHENSIVE FINANCIAL PLAN THAT INCLUDES ALL OF THE FOLLOWING:

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

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

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

9 (D) DOCUMENTATION THAT THE ISSUANCE OF MUNICIPAL SECURITIES  
10 WILL RESULT IN PROJECTED PRESENT VALUE SAVINGS REGARDING THE  
11 UNFUNDED ACCRUED LIABILITY.

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

16 (6) MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) OR (3) BY  
17 A COUNTY, CITY, VILLAGE, OR TOWNSHIP, AND CURRENTLY OUTSTANDING,  
18 SHALL NOT EXCEED 5% OF THE STATE EQUALIZED VALUATION OF THE  
19 PROPERTY ASSESSED IN THAT COUNTY, CITY, VILLAGE, OR TOWNSHIP.

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

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

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

7           (10) A COUNTY, CITY, VILLAGE, OR TOWNSHIP SHALL NOT ISSUE A  
8 MUNICIPAL SECURITY UNDER SUBSECTION (1) OR (3) UNLESS THE COUNTY,  
9 CITY, VILLAGE, OR TOWNSHIP HAS BEEN ASSIGNED A CREDIT RATING WITHIN  
10 THE CATEGORY OF A OR HIGHER BY AT LEAST 1 NATIONALLY RECOGNIZED  
11 RATING AGENCY.

12           (11) A COUNTY, CITY, VILLAGE, OR TOWNSHIP SHALL NOT ISSUE A  
13 MUNICIPAL SECURITY UNDER SUBSECTION (1) OR (3) UNLESS THE PROJECTED  
14 DIFFERENCE BETWEEN THE ASSUMED RATE OF RETURN ON THE HEALTH CARE  
15 TRUST FUND INVESTMENTS AND THE PROJECTED ACTUAL INTEREST RATE PAID  
16 ON THE MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) OR (3) IS  
17 NOT LESS THAN 100 BASIS POINTS.

18           (12) BEFORE A COUNTY, CITY, VILLAGE, OR TOWNSHIP ISSUES A  
19 MUNICIPAL SECURITY UNDER THIS SECTION, THE COUNTY, CITY, VILLAGE,  
20 OR TOWNSHIP SHALL OBTAIN THE APPROVAL OF THE DEPARTMENT OF  
21 TREASURY. THE DEPARTMENT OF TREASURY SHALL REVIEW THE PROPOSED  
22 ISSUANCE OF MUNICIPAL SECURITIES AND IF IT VERIFIES THAT THE  
23 COUNTY, CITY, VILLAGE, OR TOWNSHIP MEETS THE REQUIREMENTS OF THIS  
24 SECTION, THE DEPARTMENT OF TREASURY SHALL APPROVE THE ISSUANCE OF  
25 MUNICIPAL SECURITIES UNDER THIS SECTION.