

HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 318

A bill to amend 1909 PA 279, entitled  
"The home rule city act,"  
by amending section 36a (MCL 117.36a), as amended by 2011 PA 7.

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

1           Sec. 36a. (1) Except as otherwise provided under this section,  
2 if a financial emergency exists under the local government and  
3 school district fiscal accountability act, **2011 PA 4, MCL 141.1501**  
4 **TO 141.1531**, a city may issue financial recovery bonds in amounts  
5 greater than the limitations established by the city charter or  
6 this act.

7           (2) Any financial recovery bonds issued under this section are  
8 subject to the terms and conditions approved by the local emergency  
9 financial assistance loan board created under the emergency

Senate Bill No. 318 (H-1) as amended May 18, 2011

1 municipal loan act, 1980 PA 243, MCL 141.931 to 141.942.

2 (3) Any financial recovery bonds issued under this section are  
3 not subject to section 5(g).

4 (4) Notwithstanding subsection (1), the net indebtedness of a  
5 city, reduced by any amounts excluded under section 4a(4), shall  
6 not exceed 20% of the assessed value of the city.

7 (5) NOTWITHSTANDING SUBSECTION (4), THE NET INDEBTEDNESS OF A  
8 CITY THAT ISSUES FINANCIAL RECOVERY BONDS UNDER SUBSECTION (6),  
9 REDUCED BY ANY AMOUNTS EXCLUDED UNDER SECTION 4A(4), SHALL NOT  
10 EXCEED 12% OF THE ASSESSED VALUE OF THE CITY, ADJUSTED FOR  
11 ADDITIONS AS PROVIDED UNDER SECTION 4A(9).

12 (6) IF FINANCIAL RECOVERY BONDS ARE ISSUED UNDER THIS  
13 SUBSECTION BY A CITY WITH A POPULATION OF LESS THAN 10,000  
14 ACCORDING TO THE LATEST FEDERAL DECENNIAL CENSUS AND LOCATED IN A  
15 COUNTY ORGANIZED UNDER 1966 PA 293, MCL 45.501 TO 45.521, THE CITY  
16 MAY PROVIDE IN THE ORDER AUTHORIZING THE ISSUANCE OF THE BONDS FOR  
17 THE DEPOSIT OF REVENUES GENERATED FROM TAXES LEVIED BY THE CITY,  
18 INCLUDING A TAX LEVIED BY THE CITY TO PAY A JUDGMENT OR COMPLY WITH  
19 A COURT ORDER, INTO AN ESCROW ACCOUNT TO BE USED FOR THE PURPOSE OF  
20 PAYING PRINCIPAL OF AND INTEREST ON THE BONDS AND THE  
21 ADMINISTRATIVE COSTS ASSOCIATED WITH ISSUING THE BONDS, AND THE TAX  
22 REVENUES MAY BE PLEDGED BY THE CITY FOR THE PAYMENT OF THE BONDS  
23 ISSUED UNDER THIS SECTION. BONDS ISSUED UNDER THIS SUBSECTION SHALL  
24 BE LIMITED IN AMOUNT TO THAT NECESSARY TO PAY COURT-ORDERED  
25 JUDGMENTS AGAINST THE CITY EXISTING ON THE EFFECTIVE DATE OF THE  
26 AMENDATORY ACT THAT ADDED THIS SUBSECTION [AND ADMINISTRATIVE COSTS  
ASSOCIATED WITH ISSUING THE BONDS]. IF THE CITY ENTERS INTO  
27 AN AGREEMENT WITH A THIRD-PARTY TAX COLLECTOR PURSUANT TO WHICH THE

1 THIRD-PARTY TAX COLLECTOR HAS THE DUTY TO COLLECT TAXES THAT  
2 OTHERWISE WOULD BE COLLECTED BY THE CITY TREASURER, THE AGREEMENT  
3 SHALL ALSO PROVIDE FOR THE DIRECT PAYMENT OF ALL TAX REVENUES  
4 PLEDGED FOR PAYMENT OF BONDS ISSUED PURSUANT TO THIS SECTION  
5 COLLECTED BY THE THIRD-PARTY TAX COLLECTOR TO A TRUSTEE TO BE  
6 DEPOSITED INTO AN ESCROW ACCOUNT AND USED FOR THE SOLE PURPOSE OF  
7 PAYING PRINCIPAL OF AND INTEREST ON THE BONDS. IF THE CITY AND A  
8 THIRD-PARTY TAX COLLECTOR ENTER INTO AN AGREEMENT PROVIDING FOR THE  
9 DIRECT PAYMENT OF TAXES TO A TRUSTEE, A STATUTORY LIEN AND TRUST IS  
10 CREATED APPLICABLE TO THOSE TAX REVENUES RECEIVED OR TO BE RECEIVED  
11 FROM THE THIRD-PARTY TAX COLLECTOR BY THE TRUSTEE. THE TAX REVENUES  
12 PAID OR TO BE PAID TO A TRUSTEE FOR THE PURPOSE OF PAYING THE  
13 PRINCIPAL OF AND INTEREST ON THE BONDS ISSUED PURSUANT TO THIS  
14 SECTION SHALL BE SUBJECT TO A LIEN AND TRUST, WHICH IS A STATUTORY  
15 LIEN AND TRUST PARAMOUNT AND SUPERIOR TO ALL OTHER LIENS AND  
16 INTERESTS OF ANY KIND, FOR THE SOLE PURPOSE OF PAYING THE PRINCIPAL  
17 OF AND INTEREST ON BONDS ISSUED PURSUANT TO THIS SECTION AND ANY  
18 OTHER BONDS SUBSEQUENTLY ISSUED BY THE CITY SHARING A PARITY OR  
19 SUBORDINATE PLEDGE OF THOSE TAX REVENUES. THE LIEN AND TRUST  
20 CREATED UNDER THIS SUBSECTION FOR THE BENEFIT OF BONDHOLDERS OR  
21 OTHERS IS PERFECTED WITHOUT DELIVERY, RECORDING, OR NOTICE. THE TAX  
22 REVENUES HELD OR TO BE HELD BY A TRUSTEE SHALL BE HELD IN TRUST FOR  
23 THE SOLE BENEFIT OF THE HOLDERS OF THE BONDS ISSUED PURSUANT TO  
24 THIS SECTION AND ARE EXEMPT FROM BEING LEVIED UPON, TAKEN,  
25 SEQUESTERED, OR APPLIED TOWARD PAYING THE DEBTS OR LIABILITIES OF  
26 THE CITY OTHER THAN FOR PAYMENT OF DEBT SERVICE ON THE BONDS TO  
27 WHICH THE LIEN APPLIES. AS USED IN THIS SUBSECTION, "THIRD-PARTY

1 TAX COLLECTOR" MEANS A PARTY THAT IS NOT THE CITY TREASURER OR  
2 OTHER ELECTED OR APPOINTED CITY OFFICIAL WITH WHOM THE CITY HAS  
3 ENTERED INTO A CONTRACTUAL AGREEMENT PURSUANT TO WHICH THE THIRD-  
4 PARTY TAX COLLECTOR AGREES TO COLLECT TAXES THAT OTHERWISE WOULD BE  
5 COLLECTED BY THE CITY TREASURER.

6 (7) ~~(5)~~—Financial recovery bonds issued under this section are  
7 not subject to the revised municipal finance act, 2001 PA 34, MCL  
8 141.2101 to 141.2821.