

SUBSTITUTE FOR
SENATE BILL NO. 1357

A bill to amend 1952 PA 175, entitled

"An act to authorize incorporated cities and villages to borrow money and issue bonds in anticipation of future payments from the motor vehicle highway fund, for any purpose or purposes for which said funds may be used and for the purpose of refunding such bonds; authorizing the pledging of the faith and credit of the issuing city or village, upon proper resolution of its governing body, as additional security for the payment of said bonds; and to prescribe procedures and conditions relative to the issuance of such bonds,"

by amending sections 1 and 4 (MCL 247.701 and 247.704), section 1 as amended by 1983 PA 117 and section 4 as amended by 1996 PA 125.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. (1) ~~Any~~ SUBJECT TO SUBSECTIONS (3) AND (4), ANY
2 incorporated city or village in this state is authorized to
3 borrow money and issue its bonds for the purposes enumerated in
4 section 13 of ~~Act No. 51 of the Public Acts of 1951, as~~
5 ~~amended, being section 247.663 of the Michigan Compiled Laws~~

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1 1951 PA 51, MCL 247.663, and ~~for the purpose of refunding~~ TO
2 REFUND bonds issued ~~pursuant to~~ UNDER this act or in part ~~for~~
3 ~~refunding~~ TO REFUND bonds issued ~~pursuant to~~ UNDER this act
4 and in part for the ~~aforesaid~~ purposes ENUMERATED IN SECTION 13
5 OF 1951 PA 51, MCL 247.663, without a vote of the electors,
6 subject, unless an exception from prior approval is available
7 ~~pursuant to~~ UNDER subsection (2), to the prior permission of
8 the municipal finance commission or its successor agency. Any
9 bonds issued ~~hereunder shall be~~ UNDER THIS ACT ARE subject to
10 the requirements of the municipal finance act, ~~Act No. 202 of~~
11 ~~the Public Acts of 1943, as amended, being sections 131.1 to~~
12 ~~139.3 of the Michigan Compiled Laws~~ 1943 PA 202, MCL 131.1 TO
13 139.3, and all procedures for ~~the issuance of~~ ISSUING such
14 bonds shall conform ~~thereto~~ TO THE MUNICIPAL FINANCE ACT, 1943
15 PA 202, MCL 131.1 TO 139.3. Any refunding bonds issued UNDER
16 THIS ACT may include the amount of any premium to be paid upon
17 the calling of the bonds to be refunded or, if the bonds are not
18 callable, any premium necessary to be paid in order to secure the
19 surrender of the bonds to be refunded, but, IN EITHER CASE, the
20 amount of THE premium ~~so~~ included shall not ~~in either case~~
21 exceed 3% of the principal amount of the bonds to be refunded.
22 Nothing in this section shall be construed ~~as providing~~ TO
23 PROVIDE for the refunding of noncallable unmatured bonds without
24 the consent of the holder or holders ~~thereof. Any refunding~~ OF
25 THOSE BONDS. REFUNDING bonds ~~shall not~~ MAY be sold ~~sooner~~
26 ~~than 6 months from the date that the bonds to be refunded can be~~
27 ~~redeemed~~ AT ANY TIME TO REFUND ANY OUTSTANDING BONDS.

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1 (2) The requirement ~~of subsection (1) for obtaining~~ TO
2 OBTAIN the prior approval of the municipal finance commission or
3 its successor agency before issuing bonds under this act ~~shall~~
4 ~~be~~ SET FORTH IN SUBSECTION (1) IS subject to sections 10 and 11
5 of chapter III of ~~Act No. 202 of the Public Acts of 1943, being~~
6 ~~sections 133.10 and 133.11 of the Michigan Compiled Laws, and~~
7 ~~the~~ THE MUNICIPAL FINANCE ACT, 1943 PA 202, MCL 133.10 AND
8 133.11. THE department of treasury shall have the same authority
9 as provided by section 11 of chapter III of ~~Act No. 202 of the~~
10 ~~Public Acts of 1943~~ THE MUNICIPAL FINANCE ACT, 1943 PA 202, MCL
11 133.11, to issue an order providing or denying an exception from
12 the prior approval required ~~by~~ UNDER subsection (1) for bonds
13 authorized by this act.

14 (3) A CITY OR VILLAGE SHALL NOT ISSUE OR REFUND A BOND UNDER
15 THIS ACT IF THE BOND OR AUTHORIZING RESOLUTION DOES 1 OR MORE OF
16 THE FOLLOWING:

17 (A) PROVIDES THAT THE PROCEEDS OF THE BOND ARE USED FOR
18 OPERATIONAL EXPENSES OF THE CITY OR VILLAGE, OTHER THAN ENGINEER-
19 ING OR DESIGN EXPENSES RELATED TO THE PROJECT FOR WHICH THE BOND
20 WAS ISSUED.

21 (B) PROVIDES THAT THE WEIGHTED AVERAGE MATURITY OF THE BOND
22 EXCEEDS THE USEFUL LIFE OF THE ASSET.

23 (C) PROVIDES THAT THE BOND, IN WHOLE OR IN PART, APPRECIATES
24 IN PRINCIPAL AMOUNT OR IS SOLD AT A DISCOUNT IN AN AMOUNT GREATER
25 THAN 10%.

26 (4) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, A BOND
27 SHALL NOT BE REFUNDED UNDER THIS ACT UNLESS THE NET PRESENT VALUE

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1 OF THE PRINCIPAL AND INTEREST TO BE PAID ON THE REFUNDING BOND,
2 EXCLUDING THE COST OF ISSUANCE, WILL BE LESS THAN THE NET PRESENT
3 VALUE OF THE PRINCIPAL AND INTEREST TO BE PAID ON THE BOND BEING
4 REFUNDED, AS CALCULATED USING A METHOD APPROVED BY THE DEPARTMENT
5 OF TREASURY.

6 Sec. 4. A city or village shall not pledge, for annual debt
7 service requirements, in excess of 50% of the revenues received,
8 during the fiscal year next preceding any borrowings, from the
9 motor vehicle highway fund pursuant to ~~Act No. 51 of the Public~~
10 ~~Acts of 1951, being sections 247.651 to 247.675 of the Michigan~~
11 ~~Compiled Laws~~ 1951 PA 51, MCL 247.651 TO 247.675. This act does
12 not prohibit successive borrowings if the total amount of reve-
13 nues pledged for annual debt service requirements does not exceed
14 50% and if the total aggregate amount of borrowing does not
15 exceed an amount which 50% of the revenues will service as to
16 annual principal and interest requirements. DEBT SERVICE ON ANY
17 BONDS THAT HAVE BEEN REFUNDED UNDER THIS ACT SHALL NOT BE
18 INCLUDED IN THE CALCULATION OF ANNUAL DEBT SERVICE REQUIREMENTS
19 UNDER THIS SECTION.