

**SENATE SUBSTITUTE FOR**

**HOUSE BILL NO. 5840**

(As passed the Senate, May 7, 2002)

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 3 (MCL 247.701 and 247.703), section 1 as amended by 1998 PA 506 and section 3 as amended by 1988 PA 152; and to repeal acts and parts of acts.

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

1           Sec. 1. (1) Subject to subsections ~~-(3)-~~ (2) and ~~-(4)-~~ (3),  
2 any 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 1951 PA 51, MCL 247.663, and to refund bonds issued  
5 under this act or in part to refund bonds issued under this act

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1 and in part for the purposes enumerated in section 13 of 1951 PA  
2 51, MCL 247.663, without a vote of the electors. ~~, subject,~~  
3 ~~unless an exception from prior approval is available under sub-~~  
4 ~~section (2), to the prior permission of the municipal finance~~  
5 ~~commission or its successor agency.~~ Any bonds issued under this  
6 act are subject to the requirements of the ~~municipal finance~~  
7 ~~act, 1943 PA 202, MCL 131.1 to 139.3~~ REVISED MUNICIPAL FINANCE  
8 ACT, 2001 PA 34, MCL 141.2101 TO 141.2821, and all procedures for  
9 issuing ~~such~~ bonds UNDER THIS ACT shall conform to the  
10 ~~municipal finance act, 1943 PA 202, MCL 131.1 to 139.3~~ REVISED  
11 MUNICIPAL FINANCE ACT, 2001 PA 34, MCL 141.2101 TO 141.2821. Any  
12 refunding bonds issued under this act may include the amount of  
13 any premium to be paid upon the calling of the bonds to be  
14 refunded or, if the bonds are not callable, any premium necessary  
15 to be paid in order to secure the surrender of the bonds to be  
16 refunded, but, in either case, the amount of the premium included  
17 shall not exceed 3% of the principal amount of the bonds to be  
18 refunded. Nothing in this section shall be construed to provide  
19 for the refunding of noncallable unmatured bonds without the con-  
20 sent of the holder or holders of those bonds. Refunding bonds  
21 may be sold at any time to refund any outstanding bonds.

22 ~~(2) The requirement to obtain the prior approval of the~~  
23 ~~municipal finance commission or its successor agency before issu-~~  
24 ~~ing bonds under this act set forth in subsection (1) is subject~~  
25 ~~to sections 10 and 11 of chapter III of the municipal finance~~  
26 ~~act, 1943 PA 202, MCL 133.10 and 133.11. The department of~~  
27 ~~treasury shall have the same authority as provided by section 11~~

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1 ~~of chapter III of the municipal finance act, 1943 PA 202, MCL~~  
2 ~~133.11, to issue an order providing or denying an exception from~~  
3 ~~the prior approval required under subsection (1) for bonds autho-~~  
4 ~~rized by this act.~~

5 (2) ~~(3)~~ A city or village shall not issue or refund a bond  
6 under this act if the bond or authorizing resolution does 1 or  
7 more of the following:

8 (a) Provides that the proceeds of the bond are used for  
9 operational expenses of the city or village, other than engineer-  
10 ing or design expenses related to the project for which the bond  
11 was issued.

12 (b) Provides that the weighted average maturity of the bond  
13 exceeds the useful life of the asset.

14 (c) Provides that the bond, in whole or in part, appreciates  
15 in principal amount or is sold at a discount in an amount greater  
16 than 10%.

17 ~~(4) Notwithstanding any other provision of this act, a bond~~  
18 ~~shall not be refunded under this act unless the net present value~~  
19 ~~of the principal and interest to be paid on the refunding bond,~~  
20 ~~excluding the cost of issuance, will be less than the net present~~  
21 ~~value of the principal and interest to be paid on the bond being~~  
22 ~~refunded, as calculated using a method approved by the department~~  
23 ~~of treasury.~~

24 Sec. 3. ~~(1) Bonds issued under the provisions of this act~~  
25 ~~shall be serial bonds with annual maturities, the aggregate of~~  
26 ~~which, except as provided in subsection (4), shall not exceed 15~~  
27 ~~and the first of which shall fall due not more than 2 years from~~

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1 ~~the date of issuance. A maturity after 2 years from date of~~  
2 ~~issuance shall not be less than 1/5 of the amount of a subsequent~~  
3 ~~maturity. Outstanding and authorized bonds issued pursuant to~~  
4 ~~the provisions of this act may be treated as a single issue for~~  
5 ~~the purpose of fixing maturities. The bonds shall bear interest~~  
6 ~~at a rate not exceeding the maximum rate permitted by the municipi-~~  
7 ~~pal finance act, Act No. 202 of the Public Acts of 1943, as~~  
8 ~~amended, being sections 131.1 to 139.3 of the Michigan Compiled~~  
9 ~~Laws, may be made redeemable on the terms and conditions as shall~~  
10 ~~be provided by the resolution of the governing body of the~~  
11 ~~issuer, and may be made registerable as to principal or principal~~  
12 ~~and interest under terms and conditions as may be determined by~~  
13 ~~the governing body of the issuer.~~

14 (1) ~~(2)~~ The principal of and interest upon the bonds shall  
15 be payable primarily from the proceeds of revenues derived from  
16 state collected taxes returned to the city or village for road  
17 purposes pursuant to law. As additional security for the payment  
18 of the bonds, a city or village, upon proper resolution of its  
19 governing body, is authorized to pledge its full faith and credit  
20 for the payment of the bonds. If a pledge of its full faith and  
21 credit is made and the revenues pledged to the payment of the  
22 bonds are at any time insufficient for the payment, the city or  
23 village shall be obligated to pay the bonds and coupons to the  
24 same extent as other general obligation bonds of the city or vil-  
25 lage, and shall be reimbursed from subsequent revenues received  
26 by the city or village from the state collected taxes returned to  
27 the city or village for road purposes pursuant to law.

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1           (2) ~~(3)~~ Nothing contained in this act shall be construed  
2 to violate or impair contract rights existing in the holders of  
3 outstanding bonds issued under the provisions of ~~Act No. 205 of~~  
4 ~~the Public Acts of 1941, as amended, being sections 252.51 to~~  
5 ~~252.64 of the Michigan Compiled Laws~~ 1941 PA 205, MCL 252.51 TO  
6 252.64, but pledges of the revenues or taxes made by a city or  
7 village under the provisions of that act shall retain their pri-  
8 ority of lien or charge against the revenues as contemplated by  
9 the provisions of that act and as provided in the contract or  
10 resolution authorizing the issuance of bonds under that act.

11           ~~(4) Bonds issued to finance the construction, opening, wid-~~  
12 ~~ening, or improvement of highways, streets, roads, or alleys may~~  
13 ~~have an aggregate of annual maturities of the estimated useful~~  
14 ~~life of the project but not more than 30 years.~~

15           Enacting section 1. Section 6 of 1952 PA 175, MCL 247.706,  
16 is repealed.