

**SUBSTITUTE FOR
HOUSE BILL NO. 6694**

A bill to amend 2001 PA 34, entitled
"Revised municipal finance act,"
by amending section 103 (MCL 141.2103) and by adding sections 518
and 519.

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.

1 (b) "Chief administrative officer" means that term as defined
2 in section 2b of the uniform budgeting and accounting act, 1968 PA
3 2, MCL 141.422b.

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

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

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

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

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

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

1 drain commissioner or drainage board of a drainage district; the
2 board of the district library; the legislative body of a
3 metropolitan district; the port commission of a port district; and,
4 in the case of another governmental authority or agency, that
5 official or official body having general governing powers over the
6 authority or agency.

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

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

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

27 (ii) Special assessments.

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

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

(K) ~~-(j)-~~ "Municipality" means a county, township, city, village, school district, intermediate school district, community college district, metropolitan district, port district, drainage district, district library, or another governmental authority or agency in this state that has the power to issue a security.

Municipality does not include this state or any authority, agency, fund, commission, board, or department of this state.

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

(M) ~~-(l)-~~ "Qualified status" means a municipality that has filed a qualifying statement under section 303 and has been determined by the department to be qualified to issue municipal securities without further approval by the department.

(N) ~~-(m)-~~ "Refunding security" means a municipal security issued to refund an outstanding security.

(O) ~~-(n)-~~ "Security" means an evidence of debt such as a bond, note, contract, obligation, refunding obligation, certificate of indebtedness, or other similar instrument issued by a municipality,

1 which pledges payment of the debt by the municipality from an
2 identified source of revenue.

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

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

8 (R) "UNFUNDED ACTUARIAL LIABILITY" MEANS THE DIFFERENCE
9 BETWEEN THE ASSETS AND LIABILITIES OF A HEALTH CARE TRUST FUND AS
10 DETERMINED BY AN ACTUARIAL STUDY CONDUCTED PURSUANT TO RULE 43 OR
11 45 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD.

12 SEC. 518. (1) THROUGH SEPTEMBER 30, 2010, A COUNTY, CITY,
13 VILLAGE, OR TOWNSHIP MAY BY ORDINANCE OR RESOLUTION OF ITS
14 GOVERNING BODY, AND WITHOUT A VOTE OF ITS ELECTORS, ISSUE A
15 MUNICIPAL SECURITY UNDER THIS SECTION TO PAY THE COSTS OF THE
16 UNFUNDED ACTUARIAL LIABILITY PROVIDED THAT THE AMOUNT OF TAXES
17 NECESSARY TO PAY THE PRINCIPAL AND INTEREST ON THAT MUNICIPAL
18 SECURITY, TOGETHER WITH THE TAXES LEVIED FOR THE SAME YEAR, SHALL
19 NOT EXCEED THE LIMIT AUTHORIZED BY LAW. POSTEMPLOYMENT HEALTH CARE
20 BENEFITS MAY BE FUNDED BY THE COUNTY, CITY, VILLAGE, OR TOWNSHIP,
21 NOTWITHSTANDING THE FACT THAT THE COUNTY, CITY, VILLAGE, OR
22 TOWNSHIP HAS NO LEGAL OBLIGATION TO PAY THE BENEFITS OR HAS THE
23 RIGHT TO ALTER OR ELIMINATE THE PAYMENT OF THOSE BENEFITS. THE
24 FUNDING OF POSTEMPLOYMENT HEALTH CARE BENEFITS BY A COUNTY, CITY,
25 VILLAGE, OR TOWNSHIP AS PROVIDED IN THIS ACT SHALL NOT CONSTITUTE A
26 CONTRACT TO PAY THE POSTEMPLOYMENT HEALTH CARE BENEFITS.

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

1 MUNICIPAL SECURITY UNDER THIS SECTION, THE COUNTY, CITY, VILLAGE,
2 OR TOWNSHIP SHALL PUBLISH A NOTICE OF INTENT TO ISSUE THE MUNICIPAL
3 SECURITY. THE NOTICE OF INTENT AND THE RIGHTS OF REFERENDUM SHALL
4 MEET THE REQUIREMENTS OF SECTION 517(2).

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

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

12 (E) A PLAN IN PLACE FROM THE COUNTY, CITY, VILLAGE, OR
13 TOWNSHIP TO REDUCE HEALTH CARE COSTS.

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

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

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

26 (9) MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) BY A
27 COUNTY, CITY, VILLAGE, OR TOWNSHIP SHALL NOT ON A CUMULATIVE BASIS

House Bill No. 6694 (H-2) as amended December 7, 2006

1 EXCEED 75% OF CURRENT ACTUARIAL LIABILITIES ON POSTEMPLOYMENT

2 HEALTH CARE BENEFITS OWED TO EMPLOYEES OF THE COUNTY, CITY,

3 VILLAGE, OR TOWNSHIP THAT EXIST ON THE DATE OF THE AMENDATORY ACT

4 THAT ADDED THIS SUBSECTION.

5 (10) MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) BY A

6 COUNTY, CITY, VILLAGE, OR TOWNSHIP SHALL HAVE BEEN ASSIGNED AN

7 INVESTMENT GRADE WITHIN THE CATEGORY OF AA OR HIGHER BY AT LEAST 1

8 NATIONALLY RECOGNIZED RATING AGENCY.

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27 (11)] A COUNTY, CITY, VILLAGE, OR TOWNSHIP SHALL NOT ISSUE A

1 MUNICIPAL SECURITY UNDER SUBSECTION (1) UNLESS THE PROJECTED
2 DIFFERENCE BETWEEN THE ASSUMED RATE OF RETURN ON THE HEALTH CARE
3 TRUST FUND INVESTMENTS AND THE ACTUAL INTEREST RATE PAID ON THE
4 MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) IS NOT LESS THAN
5 100 BASIS POINTS GREATER THAN THE LESSER OF EITHER OF THE
6 FOLLOWING:

7 (A) THE 10-YEAR ACTUAL HISTORICAL RATE OF RETURN ON THE
8 COUNTY'S, CITY'S, VILLAGE'S, OR TOWNSHIP'S PENSION FUNDS.

9 (B) THE INTEREST RATE OF RETURN ASSUMED IN THE ACTUARIAL STUDY
10 UPON WHICH THE MUNICIPAL SECURITIES WERE ISSUED.

11 SEC. 519. MUNICIPAL SECURITIES ISSUED UNDER SECTION 517 OR 518
12 SHALL ALSO BE SECURED BY THE GENERAL FUND OF THE COUNTY, CITY,
13 VILLAGE, OR TOWNSHIP AND MAY INCLUDE THE PHRASE "GENERAL OBLIGATION
14 LIMITED TAX" IN THE RESOLUTION AUTHORIZING THE ISSUANCE. THE
15 COUNTY, CITY, VILLAGE, OR TOWNSHIP ISSUING THE MUNICIPAL SECURITIES
16 THAT HAVE NOT BEEN APPROVED BY THE ELECTORS IS NOT AUTHORIZED TO
17 LEVY ANY TAX NOT AUTHORIZED BY LAW AT THE TIME THE MUNICIPAL
18 SECURITIES ARE ISSUED TO PAY FOR THE MUNICIPAL SECURITIES.