

# SENATE BILL No. 363

June 5, 1991, Introduced by Senator CISKY and referred to the Committee on Natural Resources and Environmental Affairs.

A bill to amend sections 7 and 8 of Act No. 94 of the Public Acts of 1933, entitled as amended

"The revenue bond act of 1933,"

section 7 as amended by Act No. 26 of the Public Acts of 1985, being sections 141.107 and 141.108 of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 7 and 8 of Act No. 94 of the Public  
2 Acts of 1933, section 7 as amended by Act No. 26 of the Public  
3 Acts of 1985, being sections 141.107 and 141.108 of the Michigan  
4 Compiled Laws, are amended to read as follows:

5 Sec. 7. (1) For the purpose of defraying the whole or a  
6 part of project costs, a public corporation may borrow money and  
7 issue its negotiable bonds. The bonds shall not be issued unless  
8 and until authorized by an ordinance ~~, which shall set~~ THAT

1 SETS forth a brief description of the contemplated project, the  
2 estimated cost of the project, and the amount, maximum rate of  
3 interest, and time of payment of the bonds. The bonds shall be  
4 serial bonds or term bonds, or a combination of serial and term  
5 bonds, and shall be payable semiannually or annually by maturity  
6 of serial bonds or maturity or required redemption of term bonds  
7 with the first maturity or required redemption not more than 11  
8 years from the date of the bond. The last annual principal  
9 installment shall be not ~~longer~~ LATER than the EXPIRATION OF  
10 THE estimated period of usefulness of the public improvement for  
11 which THE BOND IS issued, but the last installment shall not be  
12 more than 40 years from the date of the bond. The bonds shall  
13 bear interest, payable semiannually, except that the first inter-  
14 est installment may be for any number of months not exceeding  
15 10. The bonds and coupons shall be substantially in the form  
16 provided in the authorizing ordinance and shall be executed in  
17 the manner prescribed in the bond, which may be by facsimile sig-  
18 nature or signatures. The bonds and the interest on the bonds  
19 shall be made payable in lawful money of the United States, and  
20 shall be exempt from taxation by this state or by any taxing  
21 authority within the state. The public corporation may provide  
22 that the redemption of term bonds may be satisfied in whole or in  
23 part by the purchase and cancellation of term bonds otherwise  
24 required to be redeemed. ~~As used in this subsection, "annual~~  
25 ~~principal installment" means a maturity of serial bonds, an~~  
26 ~~amount of term bonds required to be redeemed in that year, or a~~

1 ~~maturity of term bonds less amounts previously required to be~~  
2 ~~redeemed.~~

3       (2) The principal of and interest upon the bonds shall be  
4 payable, except as provided in this act, solely from the net rev-  
5 enues derived from the operation of the public improvement pur-  
6 chased, acquired, constructed, improved, enlarged, extended, or  
7 repaired from the proceeds of the bonds, as shall be pledged to  
8 the bonds in the authorizing ordinance, which may include, if the  
9 ordinance so provides, net revenues derived by reason of future  
10 improvements, enlargements, extensions, or repairs to the  
11 improvement, and payments made to the public corporation issuing  
12 the bonds by any other governmental entity pursuant to another  
13 law of this state or the United States for payment of principal  
14 and interest upon the bonds, even though the payments are made  
15 from or include grants or other funds provided by this state or  
16 the United States or the proceeds of taxes levied on taxable  
17 property as provided by other law.

18       (3) As additional security for the payment of bonds ~~which~~  
19 THAT are used to finance ~~the local share of~~ projects ~~which~~  
20 THAT receive more than 25% of financing from federal or state  
21 grants or ~~which~~ LOANS THAT are being initially purchased, in  
22 whole or in part, by the Michigan municipal bond authority cre-  
23 ated under the shared credit rating act, ACT NO. 227 OF THE  
24 PUBLIC ACTS OF 1985, BEING SECTIONS 141.1051 TO 141.1077 OF THE  
25 MICHIGAN COMPILED LAWS, or, if specifically authorized by another  
26 law pertaining to the public improvements for which bonds are to  
27 be issued under this act, a public corporation, by majority vote

1 of the elected members of its governing body, may include as a  
2 part of the ordinance authorizing the issuance of the bonds a  
3 pledge of its full faith and credit for payment of the principal  
4 of ~~an~~ AND interest on the bonds. For bonds issued for airports  
5 or airport improvements pursuant to the aeronautics code of the  
6 state of Michigan, Act No. 327 of the Public Acts of 1945, as  
7 amended, being sections 259.1 to 259.208 of the Michigan Compiled  
8 Laws, a public corporation, by majority vote of the elected mem-  
9 bers of its governing body, may agree that if funds pledged for  
10 payment of bonds are not sufficient to pay principal and interest  
11 on the bonds as the bonds become due, the public corporation  
12 shall advance sufficient funds out of its general funds for the  
13 payment if the proceeds of the bonds are used exclusively within  
14 the territorial limits of the county in which the ~~political~~  
15 PUBLIC corporation is located. If a pledge is made, and the net  
16 revenues primarily pledged to the payment are insufficient to  
17 make a payment, the public corporation ~~shall be~~ IS obligated to  
18 pay the bonds and interest on the bonds in the same manner and to  
19 the same extent as other general obligation bonds of the public  
20 corporation, including the levy, when necessary, of a tax on all  
21 taxable property in the public corporation without limitation as  
22 to rate or amount, in addition to all other taxes ~~which~~ THAT  
23 the public corporation is authorized to levy, but not exceeding  
24 the rate or amount necessary to make the payment. If a public  
25 corporation makes payment from taxes or general funds pursuant to  
26 a full faith and credit pledge or agreement to advance, it shall  
27 be reimbursed from net revenues subsequently received by the

1 public improvement for which the bonds are issued AND which are  
2 not otherwise pledged or encumbered. A bond or coupon issued  
3 under this act shall not be general obligation or constitute an  
4 indebtedness of the borrower unless its full faith and credit are  
5 pledged. Unless a public corporation pledges its full faith and  
6 credit for the payment of bonds issued pursuant to this act, or  
7 unless otherwise exempt, the amount of the bonds shall not be  
8 included in computing the net bonded indebtedness of the public  
9 corporation for the purposes of debt limitations imposed by ~~any~~  
10 statutory or charter provisions. Bonds may be made registerable  
11 as to principal, or principal and interest, under terms and con-  
12 ditions determined by the governing body of the borrower.

13 (4) The governing body in the ordinance authorizing the  
14 bonds or in an agreement entered into pursuant to  
15 section 7a(1)(a) may pledge any funds established by the ordi-  
16 nance or agreement for the payment of the bonds or other obliga-  
17 tions of the public corporation under the agreement and create a  
18 statutory first lien in favor of the holders of the bonds or a  
19 party subject to the agreement.

20 (5) AS USED IN THIS SECTION, "ANNUAL PRINCIPAL INSTALLMENT"  
21 MEANS A MATURITY OF SERIAL BONDS, AN AMOUNT OF TERM BONDS  
22 REQUIRED TO BE REDEEMED IN THAT YEAR, OR A MATURITY OF TERM BONDS  
23 LESS AMOUNTS PREVIOUSLY REQUIRED TO BE REDEEMED.

24 Sec. 8. There shall be created in the authorizing ordinance  
25 a lien, by this act made a statutory lien, upon the net revenues  
26 pledged to the payment of the principal of and interest upon  
27 ~~such~~ bonds, to and in favor of the holders of ~~such~~ THE bonds

1 and the interest coupons pertaining ~~thereto~~ TO THE BONDS, and  
2 each of ~~such~~ THE holders. ~~, which liens~~ THE LIEN shall be a  
3 first lien upon ~~such~~ THE net revenues. ~~, except where~~  
4 HOWEVER, IF there exists a prior lien, ~~or liens then such~~ THE  
5 new lien shall be subject ~~thereto~~ TO THE PRIOR LIEN. THE STAT-  
6 UTORY LIEN CREATED BY AN ORDINANCE SHALL TAKE PRIORITY OVER ANY  
7 OTHER LIEN OR INTEREST HELD BY A PERSON, INCLUDING A BONA FIDE  
8 PURCHASER, CREDITOR, RECEIVER, ASSIGNEE FOR THE BENEFIT OF CREDI-  
9 TORS, OR TRUSTEE IN BANKRUPTCY OF THE PUBLIC CORPORATION, IF THE  
10 LIEN OR INTEREST ARISES SOLELY BY REASON OF JUDICIAL EXECUTION OR  
11 SALE OF THE PROPERTY OF THE PUBLIC CORPORATION, THE INSOLVENCY OF  
12 THE PUBLIC CORPORATION, OR THE FILING OF ANY PETITION FOR RELIEF  
13 UNDER TITLE 11 OF THE UNITED STATES CODE BY THE PUBLIC CORPORA-  
14 TION, WHETHER OR NOT THE PLEDGE OF NET REVENUES AROSE BEFORE OR  
15 AFTER THE OTHER LIEN OR INTEREST OF THE PERSON, BONA FIDE PUR-  
16 CHASER, CREDITOR, RECEIVER, ASSIGNEE FOR THE BENEFIT OF CREDI-  
17 TORS, OR TRUSTEE IN BANKRUPTCY AROSE.

18 Section 2. This amendatory act shall not take effect unless  
19 Senate Bill No. 364  
20 of the 86th Legislature is enacted into law.