

Act No. 423
Public Acts of 1994
Approved by the Governor
January 05, 1995
Filed with the Secretary of State
January 06, 1995

**STATE OF MICHIGAN
87TH LEGISLATURE
REGULAR SESSION OF 1994**

**Introduced by Reps Palamara Profit Porreca Galloway Llewellyn DeMars Randall Griffin Richard
A Young Price Middaugh and Martin**

ENROLLED HOUSE BILL No. 5685

AN ACT to amend chapter IV of Act No 202 of the Public Acts of 1943 entitled as amended An act relative to the borrowing of money by municipalities and the issuance of bonds notes and certificates of indebtedness to provide for tax levies and sinking funds to create the municipal finance commission and to prescribe its powers and duties to prescribe powers and duties of the department of treasury and the state treasurer and of the department of education and the superintendent of public instruction to impose certain duties requirements and filing fees upon political subdivisions of this state to provide for prior approval of the issuance of municipal obligations and for the issuance of municipal obligations without prior approval upon the existence or occurrence of certain conditions to provide certain powers to the department of treasury and the department of education to aid municipalities in default of the payment of an obligation to develop and implement refinancing plans to authorize the issuance of obligations to pay premiums or to establish funds to self insure for losses to prescribe penalties and to repeal all acts and parts of acts mconsistent with the provisions of this act as amended being sections 134 1 to 134 24 of the Michigan Compiled Laws by adding section 3c

The People of the State of Michigan enact

Section 1 Chapter IV of Act No 202 of the Public Acts of 1943 as amended being sections 134 1 to 134 24 of the Michigan Compiled Laws is amended by adding section 3c to read as follows

CHAPTER IV

Sec 3c (1) By resolution of its governing body a municipality may without a vote of its electors borrow money and issue notes in anticipation of the receipt of grants for capital projects for transportation purposes from the United States of America any agency or instrumentality of the United States of America and may pledge for the payment of the principal of and interest and redemption premiums on those notes from 1 or more of the sources and on the terms described in section 12 of chapter III and from any of the additional sources identified in subsection (2)(a)

(2) The municipality in determining to issue notes may do 1 or more of the following

(a) Authorize principal of and interest and redemption premiums if any on the notes to be payable from and secured by a pledge of 1 or more of the following

(i) Proceeds of federal grants that have been approved by the agency or instrumentality and appropriated by law

(ii) Proceeds of notes or bonds issued to refund the notes

(b) Subject to subsection (3) authorize refunding of the notes by the delivery of new bonds or notes

(3) A municipality may borrow money and issue bonds or notes under this section for refunding all or part of existing bonded or note indebtedness only if the net present value of the principal and interest to be paid on the refunding bonds or notes excluding the cost of issuance will be less than the net present value of the principal and interest to be paid on the bonds or notes being refunded as calculated using a method approved by the department of treasury

(4) The principal amount of notes issued under this section for which the funds to be received from the granting agency are pledged shall not exceed 85% of the amount remaining to be received by the municipality from the granting agency under the authorization for that year from the granting agency that has been accepted by the municipality The issuance and delivery of the notes shall be conclusive as to the existence of the facts entitling the notes to be issued in the principal amount and shall not be subject to attack in any proceeding The pledge of 100% of the funds the municipality expects to receive from the granting agency may be secured by a direct transfer of the appropriated funds from the granting agency to a trustee or the Michigan municipal bond authority if the notes are sold to the Michigan municipal bond authority that is authorized to receive the funds by the borrowing resolution adopted by the municipality The notes issued under this section shall mature not more than 5 years from the date of issuance or 6 months after the expected date of receipt of grant proceeds whichever is earlier and may bear interest at a fixed or variable rate or rates of interest per annum subject to the limitations in chapter III

(5) The proceeds of the notes issued under this act shall be used only for the purpose to which the proceeds of the grant may be applied the costs of issuance of the notes and for the payment of the notes and the interest on the notes

(6) Bonds or notes may not be issued under this section after December 31 2000

(7) Bonds or notes shall not be issued under this section if the bond or note appreciates in principal amount or if it is to be sold at a discount of more than 10%

This act is ordered to take immediate effect

Co Clerk of the House of Representatives

Secretary of the Senate

Approved

Governor