

Act No. 506
Public Acts of 1998
Approved by the Governor
January 7, 1999
Filed with the Secretary of State
January 8, 1999
EFFECTIVE DATE: January 8, 1999

STATE OF MICHIGAN
89TH LEGISLATURE
REGULAR SESSION OF 1998

Introduced by Senators Bullard and Emmons

ENROLLED SENATE BILL No. 1357

AN ACT 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:

Sec. 1. (1) Subject to subsections (3) and (4), any incorporated city or village in this state is authorized to borrow money and issue its bonds for the purposes enumerated in section 13 of 1951 PA 51, MCL 247.663, and to refund bonds issued under this act or in part to refund bonds issued under this act and in part for the purposes enumerated in section 13 of 1951 PA 51, MCL 247.663, without a vote of the electors, subject, unless an exception from prior approval is available under subsection (2), to the prior permission of the municipal finance commission or its successor agency. Any bonds issued under this act are subject to the requirements of the municipal finance act, 1943 PA 202, MCL 131.1 to 139.3, and all procedures for issuing such bonds shall conform to the municipal finance act, 1943 PA 202, MCL 131.1 to 139.3. Any refunding bonds issued under this act may include the amount of any premium to be paid upon the calling of the bonds to be refunded or, if the bonds are not callable, any premium necessary to be paid in order to secure the surrender of the bonds to be refunded, but, in either case, the amount of the premium included shall not exceed 3% of the principal amount of the bonds to be refunded. Nothing in this section shall be construed to provide for the refunding of noncallable unmatured bonds without the consent of the holder or holders of those bonds. Refunding bonds may be sold at any time to refund any outstanding bonds.

(2) The requirement to obtain the prior approval of the municipal finance commission or its successor agency before issuing bonds under this act set forth in subsection (1) is subject to sections 10 and 11 of chapter III of the municipal finance act, 1943 PA 202, MCL 133.10 and 133.11. The department of treasury shall have the same authority as provided by section 11 of chapter III of the municipal finance act, 1943 PA 202, MCL 133.11, to issue an order providing or denying an exception from the prior approval required under subsection (1) for bonds authorized by this act.

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

(a) Provides that the proceeds of the bond are used for operational expenses of the city or village, other than engineering or design expenses related to the project for which the bond was issued.

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

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

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

Sec. 4. A city or village shall not pledge, for annual debt service requirements, in excess of 50% of the revenues received, during the fiscal year next preceding any borrowings, from the motor vehicle highway fund pursuant to 1951 PA 51, MCL 247.651 to 247.675. This act does not prohibit successive borrowings if the total amount of revenues pledged for annual debt service requirements does not exceed 50% and if the total aggregate amount of borrowing does not exceed an amount which 50% of the revenues will service as to annual principal and interest requirements. Debt service on any bonds that have been refunded under this act shall not be included in the calculation of annual debt service requirements under this section.

This act is ordered to take immediate effect.

Carol Morey Viventi

Secretary of the Senate.

Mary B. Ballester

Clerk of the House of Representatives.

Approved _____

Governor.