

SUBSTITUTE FOR  
HOUSE BILL NO. 4075

A bill to amend 2001 PA 34, entitled  
"Revised municipal finance act,"  
(MCL 141.2101 to 141.2821) by adding section 518.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1        SEC. 518. (1) THROUGH SEPTEMBER 30, 2012, A COUNTY, CITY,  
2 VILLAGE, OR TOWNSHIP MAY BY ORDINANCE OR RESOLUTION OF ITS  
3 GOVERNING BODY, AND WITHOUT A VOTE OF ITS ELECTORS, ISSUE A  
4 MUNICIPAL SECURITY UNDER THIS SECTION TO PAY THE COSTS OF THE  
5 UNFUNDED ACCRUED LIABILITY PROVIDED THAT THE AMOUNT OF TAXES  
6 NECESSARY TO PAY THE PRINCIPAL AND INTEREST ON THAT MUNICIPAL  
7 SECURITY, TOGETHER WITH THE TAXES LEVIED FOR THE SAME YEAR, SHALL  
8 NOT EXCEED THE LIMIT AUTHORIZED BY LAW. POSTEMPLOYMENT HEALTH CARE  
9 BENEFITS MAY BE FUNDED BY THE COUNTY, CITY, VILLAGE, OR TOWNSHIP.  
10 THE FUNDING OF POSTEMPLOYMENT HEALTH CARE BENEFITS BY A COUNTY,

1 CITY, VILLAGE, OR TOWNSHIP AS PROVIDED IN THIS ACT SHALL CONSTITUTE  
2 A CONTRACT TO PAY THE POSTEMPLOYMENT HEALTH CARE BENEFITS.

3 (2) BEFORE A COUNTY, CITY, VILLAGE, OR TOWNSHIP ISSUES A  
4 MUNICIPAL SECURITY UNDER THIS SECTION, THE COUNTY, CITY, VILLAGE,  
5 OR TOWNSHIP SHALL PUBLISH A NOTICE OF INTENT TO ISSUE THE MUNICIPAL  
6 SECURITY. THE NOTICE OF INTENT AND THE RIGHTS OF REFERENDUM SHALL  
7 MEET THE REQUIREMENTS OF SECTION 517(2) EXCEPT THAT PETITIONERS  
8 SHALL HAVE 60 DAYS AFTER THE PUBLICATION OF THE NOTICE OF INTENT TO  
9 FILE A PETITION AND THE REGISTERED ELECTOR REQUIREMENT SHALL BE NOT  
10 LESS THAN 5% OR 10,000 REGISTERED ELECTORS, WHICHEVER IS LESS.

11 (3) A COUNTY, CITY, VILLAGE, OR TOWNSHIP BY RESOLUTION AND  
12 WITH A VOTE OF ITS ELECTORS MAY ISSUE A MUNICIPAL SECURITY PLEDGING  
13 ITS UNLIMITED TAXES TO PAY THE COSTS OF AN UNFUNDED ACCRUED  
14 LIABILITY.

15 (4) THE PROCEEDS OF A MUNICIPAL SECURITY ISSUED UNDER THIS  
16 SECTION MAY BE USED TO PAY THE COSTS OF ISSUANCE OF THE MUNICIPAL  
17 SECURITY. THE PROCEEDS OF A MUNICIPAL SECURITY ISSUED UNDER THIS  
18 SECTION SHALL BE DEPOSITED IN A HEALTH CARE TRUST FUND; A TRUST  
19 CREATED BY THE ISSUER WHICH HAS AS ITS BENEFICIARY A HEALTH CARE  
20 TRUST FUND; OR FOR A COUNTY, CITY, VILLAGE, OR TOWNSHIP, A  
21 RESTRICTED FUND WITHIN A TRUST THAT WOULD ONLY BE USED TO RETIRE  
22 THE MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) OR (3). A  
23 COUNTY, CITY, VILLAGE, OR TOWNSHIP SHALL HAVE THE POWER TO CREATE A  
24 TRUST TO CARRY OUT THE PURPOSES OF THIS SUBSECTION. THE TRUST  
25 CREATED UNDER THIS SUBSECTION SHALL INVEST ITS FUNDS IN THE SAME  
26 MANNER AS FUNDS INVESTED BY A HEALTH CARE TRUST FUND. THE TRUST  
27 CREATED UNDER THIS SUBSECTION SHALL COMPLY WITH ALL OF THE

1 FOLLOWING:

2 (A) REPORT ITS FINANCIAL CONDITION ACCORDING TO GENERALLY  
3 ACCEPTED ACCOUNTING PRINCIPLES.

4 (B) BE TAX EXEMPT UNDER THE INTERNAL REVENUE CODE.

5 (5) BEFORE A COUNTY, CITY, VILLAGE, OR TOWNSHIP ISSUES A  
6 MUNICIPAL SECURITY UNDER THIS SECTION, THE COUNTY, CITY, VILLAGE,  
7 OR TOWNSHIP SHALL PREPARE AND MAKE AVAILABLE TO THE PUBLIC A  
8 COMPREHENSIVE FINANCIAL PLAN THAT INCLUDES ALL OF THE FOLLOWING:

9 (A) EVIDENCE THAT THE ISSUANCE OF THE MUNICIPAL SECURITY  
10 TOGETHER WITH OTHER FUNDS LAWFULLY AVAILABLE WILL BE SUFFICIENT TO  
11 ELIMINATE THE UNFUNDED ACCRUED LIABILITY.

12 (B) A DEBT SERVICE AMORTIZATION SCHEDULE AND A DESCRIPTION OF  
13 ACTIONS REQUIRED TO SATISFY THE DEBT SERVICE AMORTIZATION SCHEDULE.

14 (C) A CERTIFICATION BY THE PERSON PREPARING THE PLAN THAT THE  
15 COMPREHENSIVE FINANCIAL PLAN IS COMPLETE AND ACCURATE.

16 (D) DOCUMENTATION THAT THE ISSUANCE OF MUNICIPAL SECURITIES  
17 WILL RESULT IN PROJECTED PRESENT VALUE SAVINGS REGARDING THE  
18 UNFUNDED ACCRUED LIABILITY.

19 (E) SUBJECT TO ANY COLLECTIVE BARGAINING AGREEMENT, A PLAN IN  
20 PLACE FROM THE COUNTY, CITY, VILLAGE, OR TOWNSHIP TO MITIGATE THE  
21 INCREASE IN HEALTH CARE COSTS AND MAY INCLUDE A WELLNESS PROGRAM  
22 THAT PROMOTES THE MAINTENANCE OR IMPROVEMENT OF HEALTHY BEHAVIORS.

23 (6) MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) OR (3) BY  
24 A COUNTY, CITY, VILLAGE, OR TOWNSHIP, AND CURRENTLY OUTSTANDING,  
25 SHALL NOT EXCEED 5% OF THE STATE EQUALIZED VALUATION OF THE  
26 PROPERTY ASSESSED IN THAT COUNTY, CITY, VILLAGE, OR TOWNSHIP.

27 (7) MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) OR (3) BY

1 A COUNTY, CITY, VILLAGE, OR TOWNSHIP AND THE INTEREST ON AND INCOME  
2 FROM THE MUNICIPAL SECURITIES ARE EXEMPT FROM TAXATION BY THIS  
3 STATE OR A POLITICAL SUBDIVISION OF THIS STATE.

4 (8) A COUNTY, CITY, VILLAGE, OR TOWNSHIP ISSUING MUNICIPAL  
5 SECURITIES UNDER SUBSECTION (1) OR (3) MAY ENTER INTO INDENTURES OR  
6 OTHER AGREEMENTS WITH TRUSTEES AND ESCROW AGENTS FOR THE ISSUANCE,  
7 ADMINISTRATION, OR PAYMENT OF THE MUNICIPAL SECURITIES.

8 (9) MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) OR (3) BY  
9 A COUNTY, CITY, VILLAGE, OR TOWNSHIP SHALL NOT ON A CUMULATIVE  
10 BASIS EXCEED 75% OF CURRENT UNFUNDED ACCRUED LIABILITIES ON  
11 POSTEMPLOYMENT HEALTH CARE BENEFITS OWED TO EMPLOYEES OF THE  
12 COUNTY, CITY, VILLAGE, OR TOWNSHIP THAT EXIST ON THE DATE OF THE  
13 AMENDATORY ACT THAT ADDED THIS SUBSECTION.

14 (10) A COUNTY, CITY, VILLAGE, OR TOWNSHIP SHALL NOT ISSUE A  
15 MUNICIPAL SECURITY UNDER SUBSECTION (1) OR (3) UNLESS THE COUNTY,  
16 CITY, VILLAGE, OR TOWNSHIP HAS BEEN ASSIGNED A CREDIT RATING WITHIN  
17 THE CATEGORY OF A OR HIGHER BY AT LEAST 1 NATIONALLY RECOGNIZED  
18 RATING AGENCY.

19 (11) A COUNTY, CITY, VILLAGE, OR TOWNSHIP SHALL NOT ISSUE A  
20 MUNICIPAL SECURITY UNDER SUBSECTION (1) OR (3) UNLESS THE PROJECTED  
21 DIFFERENCE BETWEEN THE ASSUMED RATE OF RETURN ON THE HEALTH CARE  
22 TRUST FUND INVESTMENTS AND THE PROJECTED ACTUAL INTEREST RATE PAID  
23 ON THE MUNICIPAL SECURITIES ISSUED UNDER SUBSECTION (1) OR (3) IS  
24 NOT LESS THAN 100 BASIS POINTS.

25 (12) BEFORE A COUNTY, CITY, VILLAGE, OR TOWNSHIP ISSUES A  
26 MUNICIPAL SECURITY UNDER THIS SECTION, THE COUNTY, CITY, VILLAGE,  
27 OR TOWNSHIP SHALL OBTAIN THE APPROVAL OF THE DEPARTMENT OF

1   TREASURY. THE DEPARTMENT OF TREASURY SHALL REVIEW THE PROPOSED  
2   ISSUANCE OF MUNICIPAL SECURITIES AND IF IT VERIFIES THAT THE  
3   COUNTY, CITY, VILLAGE, OR TOWNSHIP MEETS THE REQUIREMENTS OF THIS  
4   SECTION, THE DEPARTMENT OF TREASURY SHALL APPROVE THE ISSUANCE OF  
5   MUNICIPAL SECURITIES UNDER THIS SECTION.

6       Enacting section 1. This amendatory act does not take effect  
7   unless all of the following bills of the 95th Legislature are  
8   enacted into law:

9       (a) House Bill No. 4074.

10      (b) House Bill No. 4077.