

HOUSE BILL No. 5550

(As amended March 16, 2010)

October 27, 2009, Introduced by Rep. Mayes and referred to the Committee on Banking and Financial Services.

A bill to amend 2001 PA 34, entitled
"Revised municipal finance act,"
by amending section 611 (MCL 141.2611), as amended by 2002 PA 500.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 611. (1) Except as provided in section 515 or subsection
2 (2) [], a municipality shall not refund all or any part of its
3 outstanding securities by issuing a refunding security unless the
4 net present value of the principal and interest to be paid on the
5 refunding security, including the cost of issuance, and taking into
6 account an agreement entered into pursuant to section 317, is less
7 than the net present value of the principal and interest to be paid
8 on the outstanding security being refunded as calculated using a
9 method approved by the department. However, when a municipality is
10 issuing refunding securities for outstanding variable interest rate

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1 securities, as determined by the department the net present value
2 calculation shall use the appropriate current fixed interest rate
3 and the fixed interest rate that would have been available for the
4 outstanding variable interest rate securities when originally
5 issued if the outstanding variable interest rate securities had
6 been issued as fixed interest rate securities or shall use another
7 procedure determined by the department.

8 (2) A municipality may, under procedures established by the
9 department, obtain an exception from the requirements of subsection
10 (1) if the department determines a reasonable basis for that
11 exception exists. As used in this subsection, reasonable basis
12 means 1 or more of the following:

13 (a) The refunding is required by a state or federal agency.

14 (b) The refunding is necessary to reduce or eliminate
15 requirements of ordinances or covenants applicable to the existing
16 outstanding security.

17 (c) The refunding is necessary to avoid a potential default on
18 an outstanding security.

19 (d) The refunding of a short-term municipal security issued
20 under section 413.

21 [(E) A MUNICIPALITY MAY ISSUE A REFUNDING SECURITY TO REFUND ALL OR
22 ANY PART OF ITS OUTSTANDING SECURITIES BEFORE DECEMBER 31, 2012 IF THOSE
23 SECURITIES ARE NOT SECURED BY THE UNLIMITED FULL FAITH AND CREDIT PLEDGE
24 OF THE MUNICIPALITY AND THE REFUNDING IS APPROVED BY THE DEPARTMENT. THE
DEPARTMENT SHALL NOT UNREASONABLY WITHHOLD APPROVAL. THE DEPARTMENT SHALL
HAVE 60 DAYS FROM THE DATE IT RECEIVES A COMPLETED REQUEST TO ISSUE A
REFUNDING SECURITY PURSUANT TO THIS SUBDIVISION TO APPROVE OR DENY THE
REQUEST. IF THE DEPARTMENT FAILS TO APPROVE OR DENY THE REQUEST WITHIN 60
DAYS OF RECEIVING THE COMPLETED REQUEST, THE MUNICIPALITY'S REQUEST IS
DEEMED APPROVED BY THE DEPARTMENT. IF THE DEPARTMENT DENIES THE REQUEST,
IT SHALL ADVISE THE MUNICIPALITY IN WRITING OF THE REASONS FOR THE
DENIAL.]