

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 318

A bill to amend 1909 PA 279, entitled
"The home rule city act,"
by amending section 36a (MCL 117.36a), as amended by 2011 PA 7.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 36a. (1) Except as otherwise provided under this section,
2 if a financial emergency exists under the local government and
3 school district fiscal accountability act, **2011 PA 4, MCL 141.1501**
4 **TO 141.1531**, a city may issue financial recovery bonds in amounts
5 greater than the limitations established by the city charter or
6 this act.

7 (2) Any financial recovery bonds issued under this section are
8 subject to the terms and conditions approved by the local emergency
9 financial assistance loan board created under the emergency

Senate Bill No. 318 (H-1) as amended May 18, 2011

municipal loan act, 1980 PA 243, MCL 141.931 to 141.942.

(3) Any financial recovery bonds issued under this section are not subject to section 5(g).

(4) Notwithstanding subsection (1), the net indebtedness of a city, reduced by any amounts excluded under section 4a(4), shall not exceed 20% of the assessed value of the city.

(5) NOTWITHSTANDING SUBSECTION (4), THE NET INDEBTEDNESS OF A CITY THAT ISSUES FINANCIAL RECOVERY BONDS UNDER SUBSECTION (6), REDUCED BY ANY AMOUNTS EXCLUDED UNDER SECTION 4A(4), SHALL NOT EXCEED 12% OF THE ASSESSED VALUE OF THE CITY, ADJUSTED FOR ADDITIONS AS PROVIDED UNDER SECTION 4A(9).

(6) IF FINANCIAL RECOVERY BONDS ARE ISSUED UNDER THIS SUBSECTION BY A CITY WITH A POPULATION OF LESS THAN 10,000 ACCORDING TO THE LATEST FEDERAL DECENNIAL CENSUS AND LOCATED IN A COUNTY ORGANIZED UNDER 1966 PA 293, MCL 45.501 TO 45.521, THE CITY MAY PROVIDE IN THE ORDER AUTHORIZING THE ISSUANCE OF THE BONDS FOR THE DEPOSIT OF REVENUES GENERATED FROM TAXES LEVIED BY THE CITY, INCLUDING A TAX LEVIED BY THE CITY TO PAY A JUDGMENT OR COMPLY WITH A COURT ORDER, INTO AN ESCROW ACCOUNT TO BE USED FOR THE PURPOSE OF PAYING PRINCIPAL OF AND INTEREST ON THE BONDS AND THE ADMINISTRATIVE COSTS ASSOCIATED WITH ISSUING THE BONDS, AND THE TAX REVENUES MAY BE PLEDGED BY THE CITY FOR THE PAYMENT OF THE BONDS ISSUED UNDER THIS SECTION. BONDS ISSUED UNDER THIS SUBSECTION SHALL BE LIMITED IN AMOUNT TO THAT NECESSARY TO PAY COURT-ORDERED JUDGMENTS AGAINST THE CITY EXISTING ON THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION [AND ADMINISTRATIVE COSTS ASSOCIATED WITH ISSUING THE BONDS]. IF THE CITY ENTERS INTO AN AGREEMENT WITH A THIRD-PARTY TAX COLLECTOR PURSUANT TO WHICH THE

1 THIRD-PARTY TAX COLLECTOR HAS THE DUTY TO COLLECT TAXES THAT
2 OTHERWISE WOULD BE COLLECTED BY THE CITY TREASURER, THE AGREEMENT
3 SHALL ALSO PROVIDE FOR THE DIRECT PAYMENT OF ALL TAX REVENUES
4 PLEDGED FOR PAYMENT OF BONDS ISSUED PURSUANT TO THIS SECTION
5 COLLECTED BY THE THIRD-PARTY TAX COLLECTOR TO A TRUSTEE TO BE
6 DEPOSITED INTO AN ESCROW ACCOUNT AND USED FOR THE SOLE PURPOSE OF
7 PAYING PRINCIPAL OF AND INTEREST ON THE BONDS. IF THE CITY AND A
8 THIRD-PARTY TAX COLLECTOR ENTER INTO AN AGREEMENT PROVIDING FOR THE
9 DIRECT PAYMENT OF TAXES TO A TRUSTEE, A STATUTORY LIEN AND TRUST IS
10 CREATED APPLICABLE TO THOSE TAX REVENUES RECEIVED OR TO BE RECEIVED
11 FROM THE THIRD-PARTY TAX COLLECTOR BY THE TRUSTEE. THE TAX REVENUES
12 PAID OR TO BE PAID TO A TRUSTEE FOR THE PURPOSE OF PAYING THE
13 PRINCIPAL OF AND INTEREST ON THE BONDS ISSUED PURSUANT TO THIS
14 SECTION SHALL BE SUBJECT TO A LIEN AND TRUST, WHICH IS A STATUTORY
15 LIEN AND TRUST PARAMOUNT AND SUPERIOR TO ALL OTHER LIENS AND
16 INTERESTS OF ANY KIND, FOR THE SOLE PURPOSE OF PAYING THE PRINCIPAL
17 OF AND INTEREST ON BONDS ISSUED PURSUANT TO THIS SECTION AND ANY
18 OTHER BONDS SUBSEQUENTLY ISSUED BY THE CITY SHARING A PARITY OR
19 SUBORDINATE PLEDGE OF THOSE TAX REVENUES. THE LIEN AND TRUST
20 CREATED UNDER THIS SUBSECTION FOR THE BENEFIT OF BONDHOLDERS OR
21 OTHERS IS PERFECTED WITHOUT DELIVERY, RECORDING, OR NOTICE. THE TAX
22 REVENUES HELD OR TO BE HELD BY A TRUSTEE SHALL BE HELD IN TRUST FOR
23 THE SOLE BENEFIT OF THE HOLDERS OF THE BONDS ISSUED PURSUANT TO
24 THIS SECTION AND ARE EXEMPT FROM BEING LEVIED UPON, TAKEN,
25 SEQUESTERED, OR APPLIED TOWARD PAYING THE DEBTS OR LIABILITIES OF
26 THE CITY OTHER THAN FOR PAYMENT OF DEBT SERVICE ON THE BONDS TO
27 WHICH THE LIEN APPLIES. AS USED IN THIS SUBSECTION, "THIRD-PARTY

1 TAX COLLECTOR" MEANS A PARTY THAT IS NOT THE CITY TREASURER OR
2 OTHER ELECTED OR APPOINTED CITY OFFICIAL WITH WHOM THE CITY HAS
3 ENTERED INTO A CONTRACTUAL AGREEMENT PURSUANT TO WHICH THE THIRD-
4 PARTY TAX COLLECTOR AGREES TO COLLECT TAXES THAT OTHERWISE WOULD BE
5 COLLECTED BY THE CITY TREASURER.

6 (7) ~~(5)~~—Financial recovery bonds issued under this section are
7 not subject to the revised municipal finance act, 2001 PA 34, MCL
8 141.2101 to 141.2821.