

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

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

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

6 (5) NOTWITHSTANDING SUBSECTION (4), THE NET INDEBTEDNESS OF A
7 CITY THAT ISSUES FINANCIAL RECOVERY BONDS UNDER SUBSECTION (6),
8 REDUCED BY ANY AMOUNTS EXCLUDED UNDER SECTION 4A(4), SHALL NOT
9 EXCEED 10% OF THE ASSESSED VALUE OF THE CITY.

10 (6) IF FINANCIAL RECOVERY BONDS ARE ISSUED UNDER THIS
11 SUBSECTION BY A CITY WITH A POPULATION OF LESS THAN 10,000
12 ACCORDING TO THE LATEST FEDERAL DECENNIAL CENSUS AND LOCATED IN A
13 COUNTY ORGANIZED UNDER 1966 PA 293, MCL 45.501 TO 45.521, THE CITY
14 MAY PROVIDE IN THE ORDER AUTHORIZING THE ISSUANCE OF THE BONDS FOR
15 THE DEPOSIT OF REVENUES GENERATED FROM TAXES LEVIED BY THE CITY,
16 INCLUDING A TAX LEVIED BY THE CITY TO PAY A JUDGMENT OR COMPLY WITH
17 A COURT ORDER, INTO AN ESCROW ACCOUNT TO BE USED FOR THE PURPOSE OF
18 PAYING PRINCIPAL OF AND INTEREST ON THE BONDS AND THE
19 ADMINISTRATIVE COSTS ASSOCIATED WITH ISSUING THE BONDS, AND THE TAX
20 REVENUES MAY BE PLEDGED BY THE CITY FOR THE PAYMENT OF THE BONDS
21 ISSUED UNDER THIS SECTION. BONDS ISSUED UNDER THIS SUBSECTION SHALL
22 BE LIMITED IN AMOUNT TO THAT NECESSARY TO PAY COURT-ORDERED
23 JUDGMENTS AGAINST THE CITY EXISTING ON THE EFFECTIVE DATE OF THE
24 AMENDATORY ACT THAT ADDED THIS SUBSECTION. IF THE CITY ENTERS INTO
25 AN AGREEMENT WITH A THIRD-PARTY TAX COLLECTOR PURSUANT TO WHICH THE
26 THIRD-PARTY TAX COLLECTOR HAS THE DUTY TO COLLECT TAXES THAT
27 OTHERWISE WOULD BE COLLECTED BY THE CITY TREASURER, THE AGREEMENT

1 SHALL ALSO PROVIDE FOR THE DIRECT PAYMENT OF ALL TAX REVENUES
2 PLEDGED FOR PAYMENT OF BONDS ISSUED PURSUANT TO THIS SECTION
3 COLLECTED BY THE THIRD-PARTY TAX COLLECTOR TO A TRUSTEE TO BE
4 DEPOSITED INTO AN ESCROW ACCOUNT AND USED FOR THE SOLE PURPOSE OF
5 PAYING PRINCIPAL OF AND INTEREST ON THE BONDS. IF THE CITY AND A
6 THIRD-PARTY TAX COLLECTOR ENTER INTO AN AGREEMENT PROVIDING FOR THE
7 DIRECT PAYMENT OF TAXES TO A TRUSTEE, A STATUTORY LIEN AND TRUST IS
8 CREATED APPLICABLE TO THOSE TAX REVENUES RECEIVED OR TO BE RECEIVED
9 FROM THE THIRD-PARTY TAX COLLECTOR BY THE TRUSTEE. THE TAX REVENUES
10 PAID OR TO BE PAID TO A TRUSTEE FOR THE PURPOSE OF PAYING THE
11 PRINCIPAL OF AND INTEREST ON THE BONDS ISSUED PURSUANT TO THIS
12 SECTION SHALL BE SUBJECT TO A LIEN AND TRUST, WHICH IS A STATUTORY
13 LIEN AND TRUST PARAMOUNT AND SUPERIOR TO ALL OTHER LIENS AND
14 INTERESTS OF ANY KIND, FOR THE SOLE PURPOSE OF PAYING THE PRINCIPAL
15 OF AND INTEREST ON BONDS ISSUED PURSUANT TO THIS SECTION AND ANY
16 OTHER BONDS SUBSEQUENTLY ISSUED BY THE CITY SHARING A PARITY OR
17 SUBORDINATE PLEDGE OF THOSE TAX REVENUES. THE LIEN AND TRUST
18 CREATED UNDER THIS SUBSECTION FOR THE BENEFIT OF BONDHOLDERS OR
19 OTHERS IS PERFECTED WITHOUT DELIVERY, RECORDING, OR NOTICE. THE TAX
20 REVENUES HELD OR TO BE HELD BY A TRUSTEE SHALL BE HELD IN TRUST FOR
21 THE SOLE BENEFIT OF THE HOLDERS OF THE BONDS ISSUED PURSUANT TO
22 THIS SECTION AND ARE EXEMPT FROM BEING LEVIED UPON, TAKEN,
23 SEQUESTERED, OR APPLIED TOWARD PAYING THE DEBTS OR LIABILITIES OF
24 THE CITY OTHER THAN FOR PAYMENT OF DEBT SERVICE ON THE BONDS TO
25 WHICH THE LIEN APPLIES. AS USED IN THIS SUBSECTION, "THIRD-PARTY
26 TAX COLLECTOR" MEANS A PARTY THAT IS NOT THE CITY TREASURER OR
27 OTHER ELECTED OR APPOINTED CITY OFFICIAL WITH WHOM THE CITY HAS

1 ENTERED INTO A CONTRACTUAL AGREEMENT PURSUANT TO WHICH THE THIRD-
2 PARTY TAX COLLECTOR AGREES TO COLLECT TAXES THAT OTHERWISE WOULD BE
3 COLLECTED BY THE CITY TREASURER.

4 (7) ~~(5)~~—Financial recovery bonds issued under this section are
5 not subject to the revised municipal finance act, 2001 PA 34, MCL
6 141.2101 to 141.2821.