

SENATE BILL No. 318

April 12, 2011, Introduced by Senator HOPGOOD and referred to the Committee on Education.

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 11,000 AND
12 LOCATED IN A COUNTY ORGANIZED UNDER 1966 PA 293, MCL 45.501 TO
13 45.521, THE CITY MAY PROVIDE IN THE ORDER AUTHORIZING THE ISSUANCE
14 OF THE BONDS FOR THE DEPOSIT OF REVENUES GENERATED FROM TAXES
15 LEVIED BY THE CITY, INCLUDING A TAX LEVIED BY THE CITY TO PAY A
16 JUDGMENT OR COMPLY WITH A COURT ORDER, INTO AN ESCROW ACCOUNT TO BE
17 USED FOR THE SOLE PURPOSE OF PAYING PRINCIPAL OF AND INTEREST ON
18 THE BONDS, AND THE TAX REVENUES MAY BE PLEDGED BY THE CITY FOR THE
19 PAYMENT OF THE BONDS ISSUED UNDER THIS SECTION. BONDS ISSUED UNDER
20 THIS SUBSECTION SHALL BE LIMITED IN AMOUNT TO THAT NECESSARY TO PAY
21 EXISTING COURT-ORDERED JUDGMENTS AGAINST THE CITY. IF THE CITY
22 ENTERS INTO AN AGREEMENT WITH A THIRD-PARTY TAX COLLECTOR PURSUANT
23 TO WHICH THE THIRD-PARTY TAX COLLECTOR HAS THE DUTY TO COLLECT
24 TAXES THAT OTHERWISE WOULD BE COLLECTED BY THE CITY TREASURER, THE
25 AGREEMENT SHALL ALSO PROVIDE FOR THE DIRECT PAYMENT OF ALL TAX
26 REVENUES PLEDGED FOR PAYMENT OF BONDS ISSUED PURSUANT TO THIS
27 SECTION COLLECTED BY THE THIRD-PARTY TAX COLLECTOR TO A TRUSTEE TO

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

1 (7) ~~(5)~~—Financial recovery bonds issued under this section are
2 not subject to the revised municipal finance act, 2001 PA 34, MCL
3 141.2101 to 141.2821.