



Senate Fiscal Agency
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Senate Bill 160 (Substitute S-2 as reported by the Committee of the Whole)
Sponsor: Senator Darwin L. Booher
Committee: Banking and Financial Institutions

CONTENT

The bill would amend the Home Rule City Act to specify that if a city with a population of more than 600,000 located in a charter county were to issue or had issued additional financial recovery bonds and, as a condition of the issuance, entered into an agreement with a trustee for the deposit of city revenue pledged by the city into a trust account established for the sole purpose of paying principal of and interest on those bonds and related administrative expenses, and the city received the approval of the State Treasurer, then, at all times after the issuance of the bonds and before the deposit of city revenue into the trust account, the revenue to be deposited would be held in trust for the benefit of the trustee and the bonds by any party coming into possession of the revenue.

The revenue would be held in trust for the benefit of the trustee and the bonds regardless of whether the city directly collected the revenue, a third party collected the revenue on the city's behalf, or any other person came into possession of the revenue. The revenue would remain subject to the trust regardless of subsequent transfers of the revenue until it was deposited into the trust account.

To the extent that the city or any other person held a residual or other interest in the revenue, the interest would be subordinate to a lien in the revenue in favor of the trustee for the purpose of ensuring delivery of the revenue to the trust account. This lien would arise by operation of law and without further act or notice of any kind at the earliest time that the city had or acquired any rights in the revenue pledged pursuant to the agreement. The lien would be superior to all other liens and interests of any kind, and would be perfected without delivery, recording, or notice. The revenue held in trust would be exempt from being levied upon, taken, sequestered, or applied toward paying the debts or liabilities of the city other than those expressly specified in the agreement.

MCL 117.36a

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would reduce the costs of the City of Detroit for debt service on financial recovery bonds by approximately \$2.0 million to \$3.0 million per year over the 15-year period when bonds are outstanding. A \$275.0 million issue of financial recovery bonds initially was privately placed on December 10, 2014, with Barclays Capital, Inc. for up to 150 days. These bonds are to be reoffered in a public sale at which time the bonds will be converted from a variable interest rate to a fixed interest rate. Bond rating agencies have stated that a statutory lien on the income tax revenue pledged to repay the bonds would improve the bond rating and result in lower interest costs. The bill would have no fiscal impact on State government.

Date Completed: 3-17-15

Fiscal Analyst: Elizabeth Pratt

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Bill Analysis @ www.senate.michigan.gov/sfa

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