

SENATE BILL No. 1129

September 26, 2018, Introduced by Senator STAMAS and referred to the Committee on Michigan Competitiveness.

A bill to amend 2001 PA 34, entitled
"Revised municipal finance act,"
by amending section 518 (MCL 141.2518), as amended by 2015 PA 46.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 518. (1) Through December 31, 2018, in connection with
2 the partial or complete cessation of accruals to a defined benefit
3 plan or the closure of the defined benefit plan to new or existing
4 employees, and the implementation of a defined contribution plan,
5 or to fund costs of a county, city, village, or township that has
6 already ceased accruals to a defined benefit plan, a county, city,
7 village, or township may by ordinance or resolution of its
8 governing body, and without a vote of its electors, issue a

1 municipal security under this section to pay all or part of the
2 costs of the unfunded pension liability for that retirement program
3 provided that the amount of taxes necessary to pay the principal
4 and interest on that municipal security, together with the taxes
5 levied for the same year, shall not exceed the limit authorized by
6 law.

7 (2) Through December 31, 2018, a county, city, village, or
8 township may by ordinance or resolution of its governing body, and
9 without a vote of its electors, issue a municipal security under
10 this section to pay the costs of the unfunded accrued health care
11 liability provided that the amount of taxes necessary to pay the
12 principal and interest on that municipal security, together with
13 the taxes levied for the same year, shall not exceed the limit
14 authorized by law or to refund in whole or in part a contract
15 obligation issued for the same purpose. Postemployment health care
16 or benefits may be funded by the county, city, village, or
17 township. The funding of postemployment health care benefits by a
18 county, city, village, or township as provided in this act shall
19 not constitute a contract to pay the postemployment health care
20 benefits.

21 (3) Before a county, city, village, or township issues a
22 municipal security under this section, the county, city, village,
23 or township shall publish a notice of intent to issue the municipal
24 security. The notice of intent and the rights of referendum shall
25 meet the requirements of section 517(2).

26 (4) Before a county, city, village, or township issues a
27 municipal security under this section, the county, city, village,

1 or township shall prepare and make available to the public a
2 comprehensive financial plan that includes all of the following:

3 (a) An analysis of the current and future obligations of the
4 county, city, village, or township with respect to each retirement
5 program and each postemployment health care benefit program of the
6 county, city, village, or township.

7 (b) Evidence that the issuance of the municipal security
8 together with other funds lawfully available will be sufficient to
9 eliminate the unfunded pension liability or the unfunded accrued
10 health care liability.

11 (c) A debt service amortization schedule and a description of
12 actions required to satisfy the debt service amortization schedule.

13 (d) A certification by the person preparing the plan that the
14 comprehensive financial plan is complete and accurate.

15 (e) If the proceeds of the borrowing are to be deposited in a
16 health care trust fund, a plan in place from the county, city,
17 village, or township to mitigate the increase in health care costs
18 and may include a wellness program that promotes the maintenance or
19 improvement of healthy behaviors.

20 (5) Municipal securities issued under this section by a
21 county, city, village, or township and the interest on and income
22 from the municipal securities are exempt from taxation by this
23 state or a political subdivision of this state.

24 (6) The proceeds of a municipal security issued under this
25 section may be used to pay the costs of issuance of the municipal
26 security. Except for a refunding, the proceeds of a municipal
27 security issued under this section to cover unfunded health care

1 liability shall be deposited in a health care trust fund, a trust
2 created by the issuer which has as its beneficiary a health care
3 trust fund, or, for a county, city, village, or township, a
4 restricted fund within a trust that would only be used to retire
5 the municipal securities issued under subsection (1) or (3). A
6 county, city, village, or township shall have the power to create a
7 trust to carry out the purposes of this subsection. The trust
8 created under this subsection shall invest its funds in the same
9 manner as funds invested by a health care trust fund. The trust
10 created under this subsection ~~shall~~**MUST** comply with all of the
11 following:

12 (a) Report its financial condition according to generally
13 accepted accounting principles.

14 (b) Be tax-exempt under the internal revenue code.

15 (7) A county, city, village, or township issuing municipal
16 securities under this section may enter into indentures or other
17 agreements with trustees and escrow agents for the issuance,
18 administration, or payment of the municipal securities.

19 (8) Before a county, city, village, or township issues a
20 municipal security under this section, the county, city, village,
21 or township shall obtain the approval of the department.

22 (9) If a county, city, village, or township has issued a
23 municipal security under this section, that county, city, village,
24 or township shall not change the benefit structure of the defined
25 benefit plan if the defined benefit plan is undergoing the partial
26 cessation of accruals. However, a county, city, village, or
27 township may reduce benefits of the defined benefit plan for years

1 of service that accrue after the issuance of municipal securities
2 under this section.

3 (10) A county, city, village, or township shall not issue a
4 municipal security under subsection (1) or (2) unless ~~the~~ **1 OF THE**
5 **FOLLOWING APPLIES:**

6 (A) **THE** county, city, village, or township has been assigned a
7 credit rating within the category of AA or higher or the equivalent
8 by at least 1 nationally recognized rating agency.

9 (B) **THE COUNTY, CITY, VILLAGE, OR TOWNSHIP MEETS ALL OF THE**
10 **FOLLOWING:**

11 (i) **HAS BEEN ASSIGNED A CREDIT RATING OF A OR HIGHER OR THE**
12 **EQUIVALENT BY AT LEAST 1 NATIONALLY RECOGNIZED RATING AGENCY.**

13 (ii) **IS NOT SUBJECT TO A CORRECTIVE ACTION PLAN, OR, IF**
14 **SUBJECT TO A CORRECTIVE ACTION PLAN, IS IN COMPLIANCE WITH THE**
15 **CORRECTIVE ACTION PLAN, AS DETERMINED BY THE MUNICIPAL STABILITY**
16 **BOARD UNDER THE PROTECTING LOCAL GOVERNMENT RETIREMENT AND BENEFITS**
17 **ACT, 2017 PA 202, MCL 38.2801 TO 38.2812.**

18 (iii) **IS IN THE PROCESS OF CLOSING ITS DEFINED BENEFIT PLAN AS**
19 **DETERMINED BY THE STATE TREASURER.**

20 (11) A county, city, village, or township that issues a
21 municipal security under subsection (1) shall covenant with the
22 holders of the municipal security and this state that it will not,
23 after the issuance of the municipal security and while the
24 municipal security is outstanding, rescind whatever action it has
25 taken to make a partial or complete cessation of accruals to a
26 defined benefit plan or the closure of the defined benefit plan for
27 new or existing employees.

1 (12) If a county, city, village, or township has issued a
2 municipal security under subsection (1) or (2), the county, city,
3 village, or township may issue a refunding security to refund that
4 municipal security under this section after December 31, 2018 if
5 that refunding security does not have a final maturity later than
6 the final maturity of the municipal security being refunded and if
7 the municipality that issued the municipal security has been
8 assigned a credit rating within the category of AA or higher or the
9 equivalent by at least 1 nationally recognized rating agency in
10 connection with the refunding security.