

REVISED MUNICIPAL FINANCE ACT (EXCERPT)
Act 34 of 2001

141.2405 Issuance of short-term municipal securities; payments allowed; operating expenditures or debt service charges; limitation; authorizing resolution; set aside of taxes collected; capital improvements; deduction of outstanding principal amount.

Sec. 405. (1) A municipality may issue short-term municipal securities in anticipation of the collection of the taxes for a current fiscal year for the payment of 1 or more of the following:

- (a) Operating expenditures.
- (b) Debt service charges.
- (c) Capital improvements.

(2) If the municipality issues short-term municipal securities described in subsection (1) to pay operating expenditures or debt service charges, the principal amount of that municipal security issued under this section shall not exceed 75% of the amount of the debt service taxes, if the proceeds of the municipal security are to pay debt service charges, or 75% of the amount of the operating taxes, if the proceeds of the municipal security are to pay operating expenditures, as provided for in the budget of the current fiscal year and that remain to be collected at the time the authorizing resolution is passed. However, if the resolution is passed before the day upon which taxes for the year become due and payable, the principal amount of the municipal security shall not exceed 50% of the tax levy made for debt service or operating expenditures, respectively, for the preceding fiscal year.

(3) The authorizing resolution shall provide that, from the date of the authorizing resolution, from the collection of the taxes remaining to be collected for the current fiscal year there shall be set aside in a special fund, to be used for the payment of principal and interest on the short-term municipal security, a portion of each dollar of taxes remaining to be collected for the current fiscal year not less than 125% of the percentage that the principal amount of the municipal security bears to the amount of the tax levied for debt service or operating expenditures, respectively, that remain to be collected from the date of the authorizing resolution until the amount set aside is sufficient for that payment. The collection of the taxes to be set aside shall not be used for any other purpose.

(4) A municipality may issue short-term municipal securities in anticipation of the collection of taxes for the current fiscal year for the payment of 1 or more capital improvements that are legally and properly provided for in the tax levy of the current fiscal year. The principal amount of the municipal security issued for this purpose shall not exceed the anticipated collection, based on the delinquency in collections of the levy of the preceding fiscal year, of the sum included in the tax levy for that purpose and remaining unpaid at the time the authorizing resolution is passed. The authorizing resolution shall provide that from the collections of the taxes for the current fiscal year there shall be set aside in a special fund to be used for the payment of principal and interest on the municipal security that percentage of the collections that the tax levied for capital outlay bears to the total levy, and until the amount set aside is sufficient for that payment, collection of the taxes to be set aside shall be used for no other purpose.

(5) The principal amount outstanding of any municipal security issued under section 403 shall be deducted from the total principal amount of any municipal security that may be issued under this section.

History: 2001, Act 34, Eff. Mar. 1, 2002.