

SENATE BILL No. 260

May 5, 1987, Introduced by Senators SHINKLE, POSTHUMUS, DE GROW,
CARL, DINGELL and POLLACK and referred to the Committee on
Finance.

A bill to amend section 3b of chapter IV of Act No. 202 of
the Public Acts of 1943, entitled as amended
"Municipal finance act,"
as amended by Act No. 125 of the Public Acts of 1986, being sec-
tion 134.3b of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 3b of chapter IV of Act No. 202 of the
2 Public Acts of 1943, as amended by Act No. 125 of the Public Acts
3 of 1986, being section 134.3b of the Michigan Compiled Laws, is
4 amended to read as follows:

5 CHAPTER IV

6 Sec. 3b. (1) A city or township that is the local property
7 tax collecting unit pursuant to the general property tax act, Act
8 No. 206 of the Public Acts of 1893, being sections 211.1 to
9 211.157 of the Michigan Compiled Laws, for any other municipality

1 or municipalities may, by resolution of its governing body and
2 without a vote of the electors, borrow money and issue its notes
3 in accordance with the provisions of this chapter in anticipation
4 of the collection of its own taxes and in anticipation of the
5 collection of the taxes levied by any or all of the other munici-
6 palities for which it acts as the local property tax collecting
7 unit or borrow money and issue its notes solely in anticipation
8 of the collection of the taxes levied by any or all of the other
9 municipalities for which it acts as the local property tax col-
10 lecting unit.

11 (2) If the borrowing is made partially in anticipation of
12 the collection of the taxes of the borrowing city or township for
13 the current fiscal year, or the borrowing is made partially in
14 anticipation of the collection of the taxes of the borrowing city
15 or township for the next succeeding fiscal year and the proceeds
16 of the borrowing will not be used to pay operating expenses, debt
17 service charges, or capital improvement costs of the borrowing
18 city or township in the current fiscal year, then the proceeds of
19 the borrowing shall be used only for the payment of 1 or more of
20 the following:

21 (a) Operating expenses.

22 (b) Debt service charges.

23 (c) Capital improvements costs.

24 (d) Amounts to other municipalities, for which the borrowing
25 city or township is the local property tax collecting ~~agent~~
26 UNIT, equal to all or part of the taxes levied by the other
27 municipalities to be collected if the taxes to be collected by

1 the borrowing city or township for any municipality receiving a
2 portion of the note proceeds of the borrowing are directly or
3 indirectly pledged by the borrowing city or township to the
4 repayment of the notes.

5 (3) If the borrowing is made partially in anticipation of
6 the collection of the taxes of the borrowing city or township for
7 a next succeeding fiscal year, the resolution authorizing the
8 loan and borrowing shall contain an irrevocable provision for the
9 levying of a tax in the next succeeding fiscal year for the pur-
10 pose for which the loan is to be made and the repayment of the
11 loan from the receipt of the taxes.

12 (4) If the borrowing is made wholly in anticipation of the
13 collection of the taxes levied by 1 or more other municipalities
14 for which the borrowing city or township is the local property
15 tax collecting unit, the proceeds of the borrowing shall be used
16 only to pay amounts to the other municipalities equal to the per-
17 centage of the taxes to be collected for each of the other munic-
18 ipalities by the borrowing city or township ~~which~~ THAT is
19 directly or indirectly pledged to the repayment of the notes.

20 (5) ~~From~~ WITHIN 20 DAYS AFTER THE RECEIPT OF THE NOTE PRO-
21 CEEDS, FROM the proceeds of notes issued wholly or partially in
22 anticipation of the collection of taxes for 1 or more other
23 municipalities, the borrowing city or township shall ~~, within 20~~
24 ~~days after the receipt of the note proceeds,~~ pay to each of the
25 other municipalities an amount equal to the percentage of the
26 taxes to be collected for each other municipality ~~which~~ THAT is
27 directly or indirectly pledged to repayment of the notes. In

1 addition, within 20 days after the receipt of the note proceeds,
2 from the first taxes collected by the borrowing city or township
3 as the local property tax collecting unit for each other munici-
4 pality, there shall be paid to each other municipality an amount
5 ~~which~~ THAT, when added to each other municipality's share of
6 the note proceeds and any other amounts it has received from the
7 borrowing city or township, provides each other municipality with
8 a total amount equal to 100% of the amount ~~which~~ THAT the bor-
9 rowing city or township has agreed to pay to each other munici-
10 pality by that date. The remaining taxes collected by the bor-
11 rowing city or township, up to the amount of each municipality's
12 share of the note proceeds, shall be due and payable to the bor-
13 rowing city or township, shall be set aside in the special fund
14 created pursuant to subsection (6), and shall be used solely to
15 repay or to provide for the repayment of the principal of and
16 interest on the notes. ~~The primary obligation to pay to the~~
17 ~~borrowing city or township the amount of uncollected taxes of~~
18 ~~another municipality and the interest on those taxes shall rest~~
19 ~~with that other municipality receiving note proceeds from the~~
20 ~~borrowing city or township.~~ If the taxes and the interest on
21 those taxes ~~which~~ THAT are due and payable to the borrowing
22 city or township are not collected or otherwise received for any
23 reason by the borrowing city or township at least 20 days prior
24 to the final maturity of the notes issued by the borrowing city
25 or township, the borrowing city or township shall so notify each
26 affected municipality. ~~which shall~~ BY PRIOR AGREEMENT, THE
27 BORROWING CITY OR TOWNSHIP AND AN AFFECTED MUNICIPALITY MAY

1 REQUIRE THE AFFECTED MUNICIPALITY, on or before 10 days prior to
2 the final maturity of the notes, TO pay or make arrangements sat-
3 isfactory to the borrowing city or township for the payment to
4 the borrowing city or township of an amount equal to the amount
5 of the unreceived taxes and interest on those taxes. A BORROWING
6 CITY OR TOWNSHIP AND A MUNICIPALITY FOR WHICH IT IS THE LOCAL
7 PROPERTY TAX COLLECTING UNIT MAY AGREE TO WAIVE A PRIOR AGREEMENT
8 RESPECTING PAYMENT BY THE MUNICIPALITY OF THE UNRECEIVED TAXES
9 AND INTEREST ON THOSE TAXES TO THE BORROWING CITY OR TOWNSHIP. A
10 municipality receiving note proceeds or other payments equal to
11 all or a portion of its tax levy from the borrowing city or town-
12 ship ~~shall~~ IS not, other than the obligation to pay to the bor-
13 rowing city or township an amount equal to the amount of unre-
14 ceived taxes and interest on those taxes, ~~be~~ liable directly or
15 indirectly for the payment of principal outstanding and interest
16 accrued on the notes issued by the borrowing city or township.

17 (6) If the borrowing is made partially in anticipation of
18 the collection of its own taxes, within 20 days after receipt of
19 the note proceeds, the borrowing city or township shall pay to
20 its general fund or other appropriate funds an amount equal to
21 the percentage of the taxes levied by the borrowing city or town-
22 ship ~~which~~ THAT is directly or indirectly pledged to the repay-
23 ment of the notes. In addition, within 20 days after the receipt
24 of the note proceeds, from the first taxes levied and collected
25 by the borrowing city or township, the borrowing city or township
26 shall pay to the general fund or other appropriate funds an
27 amount ~~which~~ THAT, when added to the borrowing city's or

1 township's share of the note proceeds, provides the borrowing
2 city or township with a total amount equal to 100% of the amount
3 ~~which~~ THAT the borrowing city or township has agreed to pay by
4 that date. From the remaining taxes collected by the borrowing
5 city or township, the borrowing city or township shall set aside
6 in a special fund a portion of the tax collections ~~which~~ THAT
7 is not less than the borrowing city's or township's share of the
8 note proceeds until the amount ~~so~~ set aside in that special
9 fund, when combined with the amount set aside pursuant to subsec-
10 tion (5), is sufficient for the payment of principal and interest
11 on the notes when due.

12 (7) A city or township intending to borrow money and issue
13 notes pursuant to this section may issue the notes after the con-
14 sent of the other municipality or municipalities for which it is
15 the local property tax collecting unit if it provides written
16 notice of that intention by certified mail to the governing body
17 of each of the affected municipalities prior to the date of the
18 levy of taxes by the affected municipalities and the governing
19 body of the affected municipality adopts a resolution to consent
20 to the borrowing.

21 (8) A city or township may borrow money and issue notes
22 under this section in anticipation of the city's or township's
23 collection of taxes levied by another municipality only if
24 requested to do so by the other municipality for which the city
25 or township is the local property tax collecting unit.

26 (9) A city or township borrowing money and issuing notes
27 under this section may enter into an agreement with a

1 municipality for which the city or township is the local property
2 tax collecting unit in which agreement the municipality agrees to
3 pay the borrowing city or township all or a portion of the inter-
4 est expense on the notes and other amounts as specified in the
5 agreement. An agreement entered into under this subsection shall
6 be approved by resolution of the governing body of the municipal-
7 ity agreeing to make the payment and shall provide that the obli-
8 gation to pay is a full faith and credit limited tax obligation
9 of that municipality subject to applicable statutory and consti-
10 tutional limitations.

11 (10) Notes shall not be issued pursuant to this section
12 without a credit enhancement satisfactory to the state treasurer
13 including, without limitation, insurance contracts, agreements
14 for lines of credit, letters of credit, commitments to purchase
15 or repurchase obligations, commercial paper dealer agreements,
16 and any other transactions, contracts, or agreements intended to
17 assure the timely payment of the notes, including any credit
18 enhancement authorized by section 12(1)(a) of chapter III. If
19 requested by a city or township, the state treasurer may waive
20 the credit enhancement requirement of this subsection.

21 (11) Any municipality that receives proceeds from notes
22 issued pursuant to this section in an amount equal to less than
23 100% of its tax levy is authorized to issue notes for the balance
24 of its tax levy pursuant to this chapter.

25 (12) Notes issued by a city or township pursuant to this
26 section shall be authorized by a resolution ~~which~~ THAT shall
27 provide that the notes are full faith and credit limited tax

1 general obligations of the city or township issuing the notes
2 subject to applicable statutory and constitutional limitations.

3 (13) Notwithstanding any other provision of this chapter, a
4 note issued under this section shall mature not later than ~~+3-~~
5 36 months after its date of issuance as determined by the govern-
6 ing body of the municipality.

7 (14) ~~All interest received from investment of money~~
8 ~~acquired through borrowing under this section shall remain as~~
9 ~~bond and note interest in the redemption fund until all principal~~
10 ~~and interest on the obligations are paid.~~ THE GOVERNING BODY OF
11 A MUNICIPALITY ISSUING NOTES UNDER THIS SECTION MAY CONTRACT WITH
12 THE NOTEHOLDERS IN THE AUTHORIZING RESOLUTION AS TO THE CUSTODY,
13 COLLECTION, SECURING, INVESTMENT, AND PAYMENT OF MONEY THAT
14 EITHER IS DERIVED FROM THE PROCEEDS OF THE BORROWING OR REPRESENTS
15 TAXES COLLECTED AND SET ASIDE IN A FUND ESTABLISHED FOR THE
16 PAYMENT OF PRINCIPAL OF AND INTEREST ON THE NOTES. THAT MONEY
17 SHALL NOT BE CONSIDERED SURPLUS MONEY OF THE MUNICIPALITY.
18 UNLESS OTHERWISE PROVIDED IN THE AUTHORIZING RESOLUTION, INVEST-
19 MENT EARNINGS SHALL BE CREDITED TO THE FUND TO WHICH THE INVEST-
20 MENT BELONGS.