

HOUSE BILL No. 5956

September 11, 1990, Introduced by Rep. Mathieu and referred to the Committee on Conservation, Recreation and Environment.

A bill to amend sections 7 and 8 of Act No. 94 of the Public Acts of 1933, entitled as amended
"The revenue bond act of 1933,"
section 7 as amended by Act No. 26 of the Public Acts of 1985,
being sections 141.107 and 141.108 of the Michigan Compiled
Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 7 and 8 of Act No. 94 of the Public
2 Acts of 1933, section 7 as amended by Act No. 26 of the Public
3 Acts of 1985, being sections 141.107 and 141.108 of the Michigan
4 Compiled Laws, are amended to read as follows:

5 Sec. 7. (1) For the purpose of defraying the whole or a
6 part of project costs, a public corporation may borrow money and
7 issue its negotiable bonds. The bonds shall not be issued unless
8 and until authorized by an ordinance, which shall set forth a

1 brief description of the contemplated project, the estimated cost
2 of the project, and the amount, maximum rate of interest, and
3 time of payment of the bonds. The bonds shall be serial bonds or
4 term bonds, or a combination of serial and term bonds, and shall
5 be payable semiannually or annually by maturity of serial bonds
6 or maturity or required redemption of term bonds with the first
7 maturity or required redemption not more than 11 years from the
8 date of the bond. The last annual principal installment shall be
9 not longer than the estimated period of usefulness of the public
10 improvement for which THE BOND IS issued, but the last install-
11 ment shall not be more than 40 years from the date of the bond.
12 The bonds shall bear interest, payable semiannually, except that
13 the first interest installment may be for any number of months
14 not exceeding 10. The bonds and coupons shall be substantially
15 in the form provided in the authorizing ordinance and shall be
16 executed in the manner prescribed in the bond, which may be by
17 facsimile signature or signatures. The bonds and the interest on
18 the bonds shall be made payable in lawful money of the United
19 States, and shall be exempt from taxation by this state or by any
20 taxing authority within the state. The public corporation may
21 provide that the redemption of term bonds may be satisfied in
22 whole or in part by the purchase and cancellation of term bonds
23 otherwise required to be redeemed. ~~As used in this subsection,~~
24 ~~"annual principal installment" means a maturity of serial bonds,~~
25 ~~an amount of term bonds required to be redeemed in that year, or~~
26 ~~a maturity of term bonds less amounts previously required to be~~
27 ~~redeemed.~~

1 (2) The principal of and interest upon the bonds shall be
2 payable, except as provided in this act, solely from the net rev-
3 enues derived from the operation of the public improvement pur-
4 chased, acquired, constructed, improved, enlarged, extended, or
5 repaired from the proceeds of the bonds, as shall be pledged to
6 the bonds in the authorizing ordinance, which may include, if the
7 ordinance so provides, net revenues derived by reason of future
8 improvements, enlargements, extensions, or repairs to the
9 improvement, and payments made to the public corporation issuing
10 the bonds by any other governmental entity pursuant to another
11 law of this state or the United States for payment of principal
12 and interest upon the bonds, even though the payments are made
13 from or include grants or other funds provided by this state or
14 the United States or the proceeds of taxes levied on taxable
15 property as provided by other law.

16 (3) As additional security for the payment of bonds ~~which~~
17 THAT are used to finance ~~the local share of~~ projects ~~which~~
18 THAT receive more than 25% of financing from federal or state
19 grants or ~~which~~ LOANS THAT are being initially purchased, in
20 whole or in part, by the Michigan municipal bond authority cre-
21 ated under the shared credit rating act, ACT NO. 227 OF THE
22 PUBLIC ACTS OF 1985, BEING SECTIONS 141.1051 TO 141.1077 OF THE
23 MICHIGAN COMPILED LAWS, or, if specifically authorized by another
24 law pertaining to the public improvements for which bonds are to
25 be issued under this act, a public corporation, by majority vote
26 of the elected members of its governing body, may include as a
27 part of the ordinance authorizing the issuance of the bonds a

1 pledge of its full faith and credit for payment of the principal
2 of ~~an~~ AND interest on the bonds. For bonds issued for airports
3 or airport improvements pursuant to the aeronautics code of the
4 state of Michigan, Act No. 327 of the Public Acts of 1945, as
5 amended, being sections 259.1 to 259.208 of the Michigan Compiled
6 Laws, a public corporation, by majority vote of the elected mem-
7 bers of its governing body, may agree that if funds pledged for
8 payment of bonds are not sufficient to pay principal and interest
9 on the bonds as the bonds become due, the public corporation
10 shall advance sufficient funds out of its general funds for the
11 payment if the proceeds of the bonds are used exclusively within
12 the territorial limits of the county in which the ~~political~~
13 PUBLIC corporation is located. If a pledge is made, and the net
14 revenues primarily pledged to the payment are insufficient to
15 make a payment, the public corporation shall be obligated to pay
16 the bonds and interest on the bonds in the same manner and to the
17 same extent as other general obligation bonds of the public cor-
18 poration, including the levy, when necessary, of a tax on all
19 taxable property in the public corporation without limitation as
20 to rate or amount, in addition to all other taxes ~~which~~ THAT
21 the public corporation is authorized to levy, but not exceeding
22 the rate or amount necessary to make the payment. If a public
23 corporation makes payment from taxes or general funds pursuant to
24 a full faith and credit pledge or agreement to advance, it shall
25 be reimbursed from net revenues subsequently received by the
26 public improvement for which the bonds are issued which are not
27 otherwise pledged or encumbered. A bond or coupon issued under

1 this act shall not be general obligation or constitute an
2 indebtedness of the borrower unless its full faith and credit are
3 pledged. Unless a public corporation pledges its full faith and
4 credit for the payment of bonds issued pursuant to this act, or
5 unless otherwise exempt, the amount of the bonds shall not be
6 included in computing the net bonded indebtedness of the public
7 corporation for the purposes of debt limitations imposed by any
8 statutory or charter provisions. Bonds may be made registerable
9 as to principal, or principal and interest, under terms and con-
10 ditions determined by the governing body of the borrower.

11 (4) The governing body in the ordinance authorizing the
12 bonds or in an agreement entered into pursuant to
13 section 7a(1)(a) may pledge any funds established by the ordi-
14 nance or agreement for the payment of the bonds or other obliga-
15 tions of the public corporation under the agreement and create a
16 statutory first lien in favor of the holders of the bonds or a
17 party subject to the agreement.

18 (5) AS USED IN THIS SECTION, "ANNUAL PRINCIPAL INSTALLMENT"
19 MEANS A MATURITY OF SERIAL BONDS, AN AMOUNT OF TERM BONDS
20 REQUIRED TO BE REDEEMED IN THAT YEAR, OR A MATURITY OF TERM BONDS
21 LESS AMOUNTS PREVIOUSLY REQUIRED TO BE REDEEMED.

22 Sec. 8. There shall be created in the authorizing ordinance
23 a lien, by this act made a statutory lien, upon the net revenues
24 pledged to the payment of the principal of and interest upon
25 ~~such~~ bonds, to and in favor of the holders of ~~such~~ THE bonds
26 and the interest coupons pertaining ~~thereto~~ TO THE BONDS, and
27 each of ~~such~~ THE holders, which liens shall be a first lien

1 upon ~~such~~ THE net revenues, except where there exists a prior
2 lien or liens then ~~such~~ THE new lien shall be subject thereto.
3 THE STATUTORY LIEN CREATED BY AN ORDINANCE SHALL TAKE PRIORITY
4 OVER ANY OTHER LIEN OR INTEREST HELD BY A PERSON, INCLUDING A
5 BONA FIDE PURCHASER, CREDITOR, RECEIVER, ASSIGNEE FOR THE BENEFIT
6 OF CREDITORS, OR TRUSTEE IN BANKRUPTCY OF THE PUBLIC CORPORATION,
7 IF THE LIEN OR INTEREST ARISES SOLELY BY REASON OF JUDICIAL EXE-
8 CUTION OR SALE OF THE PROPERTY OF THE PUBLIC CORPORATION, THE
9 INSOLVENCY OF THE PUBLIC CORPORATION, OR THE FILING OF ANY PETI-
10 TION FOR RELIEF UNDER TITLE 11 OF THE UNITED STATES CODE BY THE
11 PUBLIC CORPORATION, WHETHER OR NOT THE PLEDGE OF NET REVENUES
12 AROSE BEFORE OR AFTER THE OTHER LIEN OR INTEREST OF THE PERSON,
13 BONA FIDE PURCHASER, CREDITOR, RECEIVER, ASSIGNEE FOR THE BENEFIT
14 OF CREDITORS, OR TRUSTEE IN BANKRUPTCY AROSE.

15 Section 2. This amendatory act shall not take effect unless
16 Senate Bill No. _____ or House Bill No. 5957 (request
17 no. 05940'90) of the 85th Legislature is enacted into law.