

HOUSE BILL No. 5279

February 6, 2014, Introduced by Reps. Glardon, Kelly, Victory, McCready, Schmidt, Graves and Schor and referred to the Committee on Financial Liability Reform.

A bill to amend 2001 PA 34, entitled
"Revised municipal finance act,"
by amending section 518 (MCL 141.2518), as added by 2012 PA 329.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 518. (1) Through December 31, 2014, 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
9 municipal security under this section to pay all or part of the
10 costs of the unfunded pension liability for that retirement program

1 provided that the amount of taxes necessary to pay the principal
2 and interest on that municipal security, together with the taxes
3 levied for the same year, shall not exceed the limit authorized by
4 law.

5 (2) Through December 31, 2014, a county, city, village, or
6 township may by ordinance or resolution of its governing body, and
7 without a vote of its electors, issue a municipal security under
8 this section to pay the costs of the unfunded accrued health care
9 liability provided that the amount of taxes necessary to pay the
10 principal and interest on that municipal security, together with
11 the taxes levied for the same year, shall not exceed the limit
12 authorized by law or to refund in whole or in part a contract
13 obligation issued for the same purpose. Postemployment health care
14 or benefits may be funded by the county, city, village, or
15 township. The funding of postemployment health care benefits by a
16 county, city, village, or township as provided in this act shall
17 not constitute a contract to pay the postemployment health care
18 benefits.

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

24 (4) Before a county, city, village, or township issues a
25 municipal security under this section, the county, city, village,
26 or township shall prepare and make available to the public a
27 comprehensive financial plan that includes all of the following:

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

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

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

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

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

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

22 (6) The proceeds of a municipal security issued under this
23 section may be used to pay the costs of issuance of the municipal
24 security. Except for a refunding, the proceeds of a municipal
25 security issued under this section to cover unfunded health care
26 liability shall be deposited in a health care trust fund, a trust
27 created by the issuer which has as its beneficiary a health care

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

10 (a) Report its financial condition according to generally
11 accepted accounting principles.

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

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

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

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

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

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

7 **(B) THE COUNTY, CITY, VILLAGE, OR TOWNSHIP HAS BEEN ASSIGNED A**
8 **CREDIT RATING OF A OR HIGHER OR THE EQUIVALENT BY AT LEAST 1**
9 **NATIONALLY RECOGNIZED RATING AGENCY AND THAT MUNICIPALITY SECURITY**
10 **IS OR WILL BE INSURED AT THE TIME OF ISSUANCE.**

11 (11) A county, city, village, or township that issues a
12 municipal security under subsection (1) shall covenant with the
13 holders of the municipal security and this state that it will not,
14 after the issuance of the municipal security and while the
15 municipal security is outstanding, rescind whatever action it has
16 taken to make a partial or complete cessation of accruals to a
17 defined benefit plan or the closure of the defined benefit plan for
18 new or existing employees.