

**SUBSTITUTE FOR  
SENATE BILL NO. 86**

A bill to amend 2001 PA 34, entitled  
"Revised municipal finance act,"  
by amending section 518 (MCL 141.2518), as amended by 2014 PA 297.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 518. (1) Through December 31, ~~2015~~, **2018**, in connection  
2 with the partial or complete cessation of accruals to a defined  
3 benefit plan or the closure of the defined benefit plan to new or  
4 existing employees, and the implementation of a defined  
5 contribution plan, or to fund costs of a county, city, village, or  
6 township that has already ceased accruals to a defined benefit  
7 plan, a county, city, village, or township may by ordinance or  
8 resolution of its governing body, and without a vote of its  
9 electors, issue a municipal security under this section to pay all  
10 or part of the costs of the unfunded pension liability for that  
11 retirement program provided that the amount of taxes necessary to

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

4 (2) Through December 31, ~~2015~~, **2018**, a county, city, village,  
5 or township may by ordinance or resolution of its governing body,  
6 and without a vote of its electors, issue a municipal security  
7 under this section to pay the costs of the unfunded accrued health  
8 care liability provided that the amount of taxes necessary to pay  
9 the principal and interest on that municipal security, together  
10 with the taxes levied for the same year, shall not exceed the limit  
11 authorized by law or to refund in whole or in part a contract  
12 obligation issued for the same purpose. Postemployment health care  
13 or benefits may be funded by the county, city, village, or  
14 township. The funding of postemployment health care benefits by a  
15 county, city, village, or township as provided in this act shall  
16 not constitute a contract to pay the postemployment health care  
17 benefits.

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

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

27 (a) An analysis of the current and future obligations of the

1 county, city, village, or township with respect to each retirement  
2 program and each postemployment health care benefit program of the  
3 county, city, village, or township.

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

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

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

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

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

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

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

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

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

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

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

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

27 (10) A county, city, village, or township shall not issue a

1 municipal security under subsection (1) or (2) unless the county,  
2 city, village, or township has been assigned a credit rating within  
3 the category of AA or higher or the equivalent by at least 1  
4 nationally recognized rating agency.

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

13 (12) If a county, city, village, or township has issued a  
14 municipal security under subsection (1) or (2), the county, city,  
15 village, or township may issue a refunding security to refund that  
16 municipal security under this section after December 31, ~~2015~~2018  
17 if that refunding security does not have a final maturity later  
18 than the final maturity of the municipal security being refunded  
19 and if the municipality that issued the municipal security has been  
20 assigned a credit rating within the category of AA or higher or the  
21 equivalent by at least 1 nationally recognized rating agency in  
22 connection with the refunding security.