

MICHIGAN MUNICIPAL DISTRIBUTABLE AID BOND ACT (EXCERPT)
Act 97 of 1981

***** 141.1026 THIS SECTION IS REPEALED BY ACT 300 OF 2002 EFFECTIVE JANUARY 1, 2010

141.1026 Notice to state treasurer by finance officer of municipality; contents; attachment; supplemental notice; retention of distributable aid by state treasurer; investment income; funds kept with trustee; payment to trustee; payment to municipality; change of trustee; taxes; principal and interest; installment; payment to paying agent; reserve; money in trust; pooling and investment of money; lien; exemption; nonpayment by municipality; reduction of payment.

Sec. 6. (1) The finance officer of a municipality issuing distributable aid obligations shall notify in writing the state treasurer of the date, original principal amount, designation, name and address of the paying agent, and the amounts and payment dates of each installment of principal and interest on each issue of distributable aid obligations not more than 10 days after delivery of each issue of distributable aid obligations and with respect to distributable aid obligations issued prior to the effective date of this act, within 10 days after the issuance of the order by the commission as provided by section 3(2). A certified copy of the proceedings of the governing body authorizing the distributable aid obligations or determining to make obligations issued before the effective date of this act eligible to participate under this act shall be attached to the notice required by this subsection. When the amount of principal or interest on distributable aid obligations is altered, the municipality's finance officer shall give a supplemental notice in writing to the state treasurer setting forth the revised dates of payment and the amounts of each installment of principal and interest on the distributable aid obligations.

(2) The state treasurer shall retain all distributable aid of a municipality having outstanding distributable aid obligations and shall not pay that distributable aid to the municipality until the amount so retained, together with other funds held by the state treasurer for the payment of principal and interest on all distributable aid obligations of the municipality, shall be equal to the amount required to be set aside in the proceedings of the governing body authorizing the distributable aid obligations or in the proceedings of the governing body determining to make obligations issued before the effective date of this act eligible to participate under this act. When the state treasurer has on deposit distributable aid or other funds of the municipality from time to time equal to the amount required to be set aside on all distributable aid obligations of the municipality, the state treasurer shall promptly pay all money in excess thereof to the municipality and thereafter shall pay to the municipality all distributable aid thereafter payable to the municipality. All income derived from investment of money of a municipality held by the state treasurer pursuant to this act from distributable aid shall be credited to the account of the municipality and shall be paid to the municipality when the next payment is made by the state treasurer to the municipality. All income derived from the investment of other money shall be deemed to be payments made on account of debt service by the municipality.

(3) A municipality issuing distributable aid obligations may determine in the proceedings authorizing the distributable aid obligations that funds for the payment of a distributable aid obligation should be kept with a trustee for the benefit of bondholders. If a municipality so determines, then the notice provided for in subsection (1) shall advise the state treasurer of that fact and of the name of the trustee and a copy of the notice required by subsection (1) shall also be served on the trustee not more than 10 days after the delivery of each issue of distributable aid obligations and, with respect to distributable aid obligations issued before the effective date of this act, within 10 days after the issuance of the order by the commission as provided by section 3(2). Upon receipt of the notification required by this subsection, the state treasurer shall thereafter pay all distributable aid of a municipality having distributable aid obligations to the trustee until the state treasurer is notified in writing by the trustee that the trustee has on deposit sufficient funds to pay the amount required to be set aside in the proceedings of the governing body authorizing the distributable aid obligations or in the proceedings of the governing body determining to make obligations issued before the effective date of this act eligible to participate under this act. When the trustee has on deposit distributable aid so paid or other funds of the municipality from time to time equal to the amount required to be set aside on all distributable aid obligations of the municipality, the trustee shall promptly pay all money in excess thereof to the municipality and shall notify the state treasurer in writing of that fact. The state treasurer thereafter shall then pay to the municipality all distributable aid payable to the municipality. All income derived from investment of money held by a trustee pursuant to this act from distributable aid shall be credited to the account of the municipality and shall be paid to the municipality when the next payment is made by the

trustee to the municipality. All income derived from the investment of other money shall be deemed to be payments made on account of debt service by the municipality. Where a municipality determines to keep funds under this act with a trustee, the trustee shall be the trustee for all distributable aid obligations of that municipality and the state treasurer shall not act under subsection (2) for that municipality. The municipality may from time to time change the trustee so designated.

(4) A municipality having distributable aid obligations shall annually levy and collect taxes or otherwise provide money sufficient to pay the principal and interest on its distributable aid obligations. A municipality shall pay to the state treasurer or the trustee, if provided for, an amount equal to each installment of principal or principal and interest not less than 5 days before the due date of the installment.

(5) The state treasurer or trustee shall pay to the paying agent not later than each interest or principal and interest payment date an amount sufficient to pay the interest and principal due on that date on each issue of distributable aid obligations of the municipality, but only from money held by the state treasurer or trustee pursuant to this act, including but not limited to, money provided from distributable aid of the municipality.

(6) Upon delivery of an issue of qualified obligations, the municipality may deposit from the proceeds of the qualified obligations or from other sources a sum of money to be held by the state treasurer as a reserve for the payment of the principal or interest on an issue of qualified obligations as shall be specified by the municipality.

(7) The state treasurer and trustee shall promptly notify the municipality's finance officer of the amount and purpose of each payment made to a paying agent and the state treasurer shall promptly notify the municipality of the amount of distributable aid withheld from the municipality and held by the state treasurer or paid to the trustee and the date of the withholding or payment.

(8) The state treasurer or a trustee shall hold the money received under this act in trust for the payment of principal and interest on distributable aid obligations in a separate account for each municipality. The state treasurer or the trustee may pool money held for 1 or more municipalities under this act and invest that money in any investment permitted by law for municipalities. The distributable aid and money paid to the state treasurer, a trustee, or a paying agent shall be subject to a lien, which is hereby made a statutory lien paramount and superior to all other liens, except as provided in this act, for the sole purpose of paying the principal of, and interest on, distributable aid obligations. The distributable aid and other money held by the state treasurer, the trustee, or a paying agent under this act shall be exempt from being levied upon, taken, sequestered, or applied toward paying the debts or liabilities of the municipality other than for payment of debt service on the distributable aid obligations to which they apply and the holders of the distributable aid obligations shall have a first lien on the distributable aid or other money for the purpose of paying principal and interest on the distributable aid obligations.

(9) If any distributable aid obligation is not paid by the paying agent of the municipality when due, the distributable aid obligation may be presented to and shall be paid by the state treasurer, if the distributable aid is available and is due and not paid to the trustee or the municipality. If such a payment is made by the state treasurer, the next amount of distributable aid paid by the state treasurer to the trustee or the municipality shall be reduced by the same amount of the payment.

History: 1981, Act 97, Imd. Eff. July 15, 1981.