Special City Council Meeting
6:00 PM, MONDAY, JUNE 24, 2013
Conference Room A
Farmington City Hall
23600 Liberty St
Farmington, MI 48335

**SPECIAL MEETING AGENDA**

1. **ROLL CALL**

   **Roll Call**

2. **APPROVAL OF AGENDA**

3. **PUBLIC COMMENT**

4. **PUBLIC HEARING - REVIEW OF OFFERS TO PURCHASE OLD 47TH DISTRICT COURTHOUSE**

   A. **Public Hearing - Review of Purchase Offer for Old 47Th District Courthouse Property**

5. **AUTHORIZATION TO ISSUE OTHER POST EMPLOYMENT BENEFIT (OPEB) BONDS**

   A. **OPEB Bond Presentation and Consideration to Adopt Resolution of Intent to Issue Bonds**

6. **CONSIDERATION TO APPOINT TO VACANT CITY COUNCIL SEAT**

   1. **Consideration to Appoint to Vacant City Council Seat**

7. **ADJOURNMENT**

# Farmington City Council Staff Report

**Council Meeting Date:** June 24, 2013

**Reference Number (ID # 1307)**

**Submitted by:** Vincent Pastue, City Manager

**Description:** Public Hearing - Review of Purchase Offer for Old 47Th District Courthouse Property

**Requested Action:**

**Background:**
At the City Council's June 3 meeting, a public hearing was scheduled for June 24 to review purchase offers for the Old 47th District Courthouse Property located at 32795 West Ten Mile Road. Notice of the public hearing was published in the Farmington Observer and City Administration mailed notices to residents on Elizabeth Court.

Attached is a summary of offers received to purchase the Courthouse. City Administration is recommending that the City Council accept the offer submitted by Balfour Senior Living. Listed below is a summary of the four outstanding offers in the view of City Administration.

**Balfour Senior Living**

1. **Offer:** They meet the minimum offer of $425,000 as stated in the listing.
2. **Proposed Use:** The anticipated development of a senior dementia facility would be a $10 to $12 Million investment in the community.
3. **Property Tax Yield:** Of the offers received, it would have the highest future property tax yield. Since this is a privately owned facility, it would be taxable. Assuming a $4 Million taxable value, the property would generate approximately $60,000/year to the City of Farmington. This does not include taxes that would be received by the County, State SET tax, Schools, and other taxing entities.
4. **Impact on Adjoining Residential:** The senior dementia facility use would have minimal impact on the adjoining residential property owners especially on Elizabeth Court. Their facilities are typically single-story facilities which are fitting with the adjoining residential properties. Residents will not be leaving the facility. The only impact will be parking vehicles which will likely be near Ten Mile Road. The traffic volume would be light.
5. **Impact on Adjoining School Property:** This development would not likely have a detrimental impact on the future development of the School Administration property. Farmington Public Schools has indicated that in the future they would like to consolidate their administrative and support facilities. They recognize there is a higher and better use of their property.
6. **Demand on Public Services:** This type of contained facility does not generate much in the way of public services: police, fire, streets, library, or parks. The only likely public service would be responding to a medical emergency.
7. **Job Creation:** The development project would bring on-going jobs to the community to service the residents on the site.
8. **Additional Economic Activity:** Family members visiting the facility will bring additional people to the City which would provide additional opportunities for shopping and entertainment.
9. **Other Community Benefits:** The project would serve a need in the community for a high-quality dementia facility.

**The River - Church**

1. **Offer:** While the offer of $375,000 is less than the $425,000 list, it also excludes the west two acres. City Administration feels it could make up the difference by selling the west two acres to a residential developer.
2. **Proposed Use:** The existing building would be renovated for a church use with the west two acres, as mentioned, would be available for residential development.
3. **Property Tax Yield:** The church portion of the property would be exempt from property tax. City Administration

estimates that the remaining two acres would yield eight to ten single family units. Assuming a $200,000 market value for each unit, it would generate an additional $12,000 to $15,000 each year in property taxes to the City. This does not include taxes that would be received by the County, State SET tax, Schools, and other taxing entities.

4. **Impact on Adjoining Residential:** The residential component of this option would have minimal impact on the adjoining property owners on Elizabeth Court.
5. **Impact on Adjoining School Property:** The church use would not have much impact on the School's property since service on Sunday would not conflict with the bus schedule. Evening church services would not conflict with the bus operations. Parking could be a challenge during Tuesday evening School Board meetings.
6. **Demand on Public Services:** City Administration does not see a significantly higher demand on public services. The residential development does create additional impact but given the scale of the project it would be modest.
7. **Job Creation:** No permanent jobs would result on-site from either the church conversion or the residential development.
8. **Additional Economic Activity:** Parishioners and residents would bring additional people to the City which would provide an expanded customer base for businesses in the City.
9. **Other Community Benefits:** Address religious and residential home needs

**<u>Triangle Development</u>**

1. **Offer:** $200,000
2. **Proposed Use:** Single Family residential. It is anticipated that the property could generate approximately 16 single-family residential sites.
3. **Property Tax Yield:** Assuming a $200,000 market value for each unit, it would generate $24,000 additional each year in property taxes to the City. This does not include taxes that would be received by the County, State SET tax, Schools, and other taxing entities.
4. **Impact on Adjoining Residential:** The residential component of this option would have minimum impact on the adjoining property owners on Elizabeth Court.
5. **Impact on School Property:** The Schools have expressed concern regarding homes being close to the bus depot and the complaints they would likely receive. This would be a problem when diesel buses are warming up in the morning and you have a wind from the southeast (rare) that would direct the fumes toward the residents.
6. **Demand on Public Services:** City Administration does not see a significantly higher demand on public services. The residential development does create additional impact but given the scale of the project it would be modest.
7. **Job Creation:** None
8. **Additional Economic Activity:** Residents would bring additional people to the City which would provide an expanded customer base for businesses in the City.
9. **Other Community Benefits:** residential home needs

**<u>Farmington Cricket Club</u>**

1. **Offer:** $250,000
2. **Proposed Use:** Use open space for cricket. Maintain and renovate existing building for office use. IT training, and banquet facility.
3. **Property Tax Yield:** Difficult to assess. Assuming a $1,000,000 market value for the property, this use would generate approximately $7,500 additional each year in property taxes to the City. This does not include taxes that would be received by the County, State SET tax, Schools, and other taxing entities.
4. **Impact on Adjoining Residential:** The recreational use would moderately increase noise to adjoining residents on Elizabeth Court.
5. **Impact on School Property:** Uncertain as to the impact on School Property. It depends on the date and time for activities. This use may diminish the value for redevelopment of the School property in the future because its use will be different than residential.
6. **Demand on Public Services:** Do not anticipate much demand on public services. The only potential demand would be public safety.
7. **Job Creation:** Not certain.

8. **Additional Economic Activity:** The recreational and social activities would bring additional people to the City which would provide an expanded customer base for businesses in the City.
9. **Other Community Benefits:** Enhanced recreational and social opportunity for an immigrant segment of the community population.

**Other Considerations**

1. There is a reciprocal access easement with the City and Schools for the entrance off of Ten Mile Road. This matter needs to be resolved regardless of the purchaser. It would be more challenging if the purchaser intended to use the building.

2. However the property is developed, it will be necessary to connect the sanitary sewer west to a manhole on Elizabeth Court. The City secured an easement a number of years ago to provide the necessary access.

3. The offers that include a single-family residential component will have an impact on revenues received by the Farmington Public Schools. Assuming each new home has one child that would attend Farmington Public Schools along with a $7,000 per year state grant allowance for each pupil, listed below is the estimated amount additionally that would be received by the Schools annually.

| | |
|---|---|
| Balfour Senior Living | $0 |
| The River - Church (8-10 Units) | $56,000 - $70,000 annually |
| Triangle Development (16 Units) | $102,000 annually |
| Farmington Cricket Club | $0 |

## Agenda Review

**Review:**

| | |
|---|---|
| **Vincent Pastue** | **Pending** |
| **City Manager** | **Pending** |
| **City Council** | **Pending** |

**Old 47$^{TH}$ District Court Property** **6/19/13**

Farmington Cricket Club (FCC) - Ambati

| | |
|---|---|
| 3/20/13 | $220,000 LOI |
| | Also: Office Bldg/IT Training/Banquet |
| 04/17/13 | $242,000 LOI |
| 05/09/13 | $250,000 LOI |

Triangle Development – Nona

| | |
|---|---|
| 03/12/13 | $155,000 LOI |
| 05/21/13 | $200,000 Verbal |
| 05/29/13 | "NO" to $300,000 Verbal |

Geagea Office - Compo

| | |
|---|---|
| 04/15/13 | $200,000 PA |
| 05/30/13 | Withdrew offer |

The River – Church

| | |
|---|---|
| 05/16/13 | $425,000 PA |
| 05/23/13 | $375,000 PA |
| | For east ½ of land with courthouse bldg |

New Wine Glory – Church

| | |
|---|---|
| 04/24/13 | $325,000 PA |
| 05/13/13 | $245,000 Letter |
| | Committed to sell ½ for residential development |
| 05/20/13 | Withdrew all offers |

Pines – Senior Living

| | |
|---|---|
| 05/22/13 | $300,000 PA |
| 06/03/13 | Site plan proposal |
| 06/19/13 | Withdrew offer |

Balfour – Senior Living

| | |
|---|---|
| 06/14/13 | $425,000 LOI |

**Farmington City Council**
**Staff Report**

**Council Meeting Date:**
June 24, 2013

**Reference Number**

**Submitted by:** Vincent Pastue, City Manager

**Description:** OPEB Bond Presentation and Consideration to Adopt Resolution of Intent to Issue Bonds

**Requested Action:**
Consideration to Adopt Resolution of Intent to Issue Bonds

**Background:**
City Council and staff have taken a number of actions over the last five years to reduce the long-term retiree health care liability. This involved closing the plan to different employee groups and modest plan changes for current retirees. Most recently, the following actions have taken place to further reduce this liability:

- Effective July 1, 2013 - Plan closed for new POAM hires
- Effective July 1, 2013 - Plan closed for new COAM hires
- Effective July 1, 2013 - Implement Medicare Advantage Program
- Effective July 1, 2013 - Both POAM and COAM collective bargaining agreements tie retiree health care costs for future retirees to hard caps established in collective bargaining agreements.
- July 1, 2012 - Converted all Blue Cross retirees to one plan with $15/$30 drug rider.
- July 1, 2009 - Converted all DPW, Dispatch, and Non-union employees with 20 years or less of service to a defined contribution plan.
- As a result of recent collective bargaining agreements, eligibility for retiree health care is closed.

For the last several months, we have discussed City Administration's recommendation to issue OPEB bonds as the next step in addressing the retiree health care liability challenge. This is the financing aspect of a multi-faceted solution to addressing the long-term liability problem with retiree health care. I hesitate to state this is the last step because future Councils and Administration will need to continue to monitor costs and investments. However, this is a significant step in stabilizing the General Fund and allowing the City to focus on developing a sustainable revenue stream for the Capital Improvements Fund.

Over the last five years, the City has worked diligently to bring budget certainty on the expense side. There is now little volatility forecasting expenditures in the future with the exception of retiree health care. Addressing the retiree health care challenge does provide greater predictability in planning future operational and capital needs.

Attached is an outline for the presentation that is scheduled to discuss the issuance of OPEB Bonds. The presentation will be a Power Point format with some handouts presented at the meeting. I also included a copy of the legislation authorizing the issuance of OPEB Bonds. The process for approval by the State is referenced in the legislation.

Following the presentations, City Administration is requesting that the City Council adopt the attached Notice of Intent resolution to issue $8.0 Million in OPEB Budget. The resolution instructs the City Clerk to publish a notice in the Farmington Observer indicating the City's intent to issue bonds. This notice triggers a 45-day period in which registered voters in the City could petition to have the proposed bond issue placed on a ballot requiring public approval. If the resolution is approved by City Council, the petition period would end in mid-August.

**Agenda Review**

**Review:**
**Vincent Pastue Pending**
**City Manager Pending**
**City Council Pending**

# RESOLUTION NO. (ID # 1308)

**RESOLUTION AUTHORIZING NOTICE OF INTENT TO ISSUE BONDS**
**LIMITED TAX GENERAL OBLIGATION BONDS, SERIES 2013**

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**CITY OF FARMINGTON**
County of Oakland, State of Michigan

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Minutes of a special meeting of the City Council of the City of Farmington, Michigan, held on Tuesday, the 24th day of June, 2013, at 7:00 p.m., prevailing Eastern Time.

PRESENT: Members ________________________________________________________________

________________________________________________________________ __________

ABSENT: Members ________________________________________________________________

The following preamble and resolution were offered by Member ______________________ and supported by Member ______________________________:

WHEREAS, Section 518 of Act 34, Public Acts of Michigan, 2001, as amended ("Act 34") authorizes a city to issue bonds to pay all or part of the costs of the unfunded accrued health care liability for the city's retirement programs; and

WHEREAS, the City of Farmington, Michigan (the "City") intends to issue limited tax general obligation bonds pursuant to Section 518 of Act 34, in one or more series, in an aggregate principal amount not to exceed Eight Million Dollars ($8,000,000) (the "Bonds") for the purpose of paying all or a part of the costs of the unfunded accrued health care liability for its retirement programs; and

WHEREAS, a notice of intent to issue the Bonds must be published before the issuance of the Bonds in order to comply with the requirements of Sections 518 and 517 of Act 34.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Clerk of the City is hereby authorized and directed to publish a notice of intent to issue bonds in the *Farmington Observer*, a newspaper of general circulation in the City.

2. Said notice of intent shall be published as a one-quarter (1/4) page display advertisement in substantially the following form:

NOTICE TO TAXPAYERS AND ELECTORS OF THE CITY OF FARMINGTON, MICHIGAN OF INTENT TO ISSUE BONDS AND THE RIGHT OF REFERENDUM RELATING THERETO

PLEASE TAKE NOTICE that the City of Farmington, County of Oakland, State of Michigan (the "City"), intends to issue and sell its limited tax general obligation bonds pursuant to Act 34, Public Acts of Michigan, 2001, as amended, in one or more series, in an aggregate principal amount not to exceed Eight Million Dollars ($8,000,000) for the purpose of paying all or part the cost of the unfunded accrued health care liability for the City's retirement programs.

**SOURCE OF PAYMENT OF BONDS**

THE PRINCIPAL OF AND INTEREST ON SAID BONDS SHALL BE PAYABLE from the general funds of the City lawfully available for such purposes including property taxes levied within applicable constitutional, statutory and charter tax rate limitations.

BOND DETAILS

SAID BONDS will be payable in annual installments not to exceed twenty (20) in number and will bear interest at the rate or rates to be determined at public or private sale but in no event to exceed the maximum rate permitted by law on the balance of the bonds from time to time remaining unpaid.

RIGHT OF REFERENDUM

THE BONDS WILL BE ISSUED WITHOUT A VOTE OF THE ELECTORS OF THE CITY UNLESS A PETITION REQUESTING SUCH A VOTE SIGNED BY NOT LESS THAN 10% OF THE REGISTERED ELECTORS RESIDING WITHIN THE BOUNDARIES OF THE CITY IS FILED WITH THE CITY CLERK OF THE CITY WITHIN FORTY-FIVE (45) DAYS AFTER PUBLICATION OF THIS NOTICE. IF SUCH PETITION IS FILED, THE BONDS MAY NOT BE ISSUED WITHOUT AN APPROVING VOTE OF A MAJORITY OF THE QUALIFIED ELECTORS RESIDING WITHIN THE BOUNDARIES OF THE CITY VOTING THEREON.

THIS NOTICE is given pursuant to the requirements of Section 517 (2), Act 34, Public Acts of Michigan, 2001, as amended.

SUSAN K. HALBERSTADT
City Clerk

3. The City Council of the City does hereby determine that the foregoing form of Notice of Intent to Issue Bonds and the manner of publication directed is the method best calculated to give notice to the electors residing in the boundaries of the City of this City's intent to issue the bonds, the purpose of the bonds, the security for the bonds and the right of referendum relating thereto, and the newspaper named for publication is hereby determined to reach the largest number of persons to whom the notice is directed.

4. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution be and the same hereby are rescinded.

AYES:

Members____________________________________________________________

NAYS: Members

RESOLUTION DECLARED ADOPTED.

Susan K. Halberstadt
City Clerk

I HEREBY CERTIFY that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Farmington, County of Oakland, State of Michigan, at a special meeting held on the 24th day of June, 2013, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act.

Susan K. Halberstadt
City Clerk

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# OUTLINE - OPEB BOND DISCUSSION AND RESOLUTION

## JUNE 24, 2013; 7:00 P.M.

I. Vince Pastue, City Manager - Introduction (3-5 Minutes)

II. Chris Weber, Treasurer/Finance Director (5-10 Minutes)

- A. Review of Long-Term Liability
- B. Actions Taken to Reduce Liability
- C. Recent Actions and Actuarial valuations
- D. How OPEB bonds address long-term liability and stabilize General Fund
- E. Why $8.0 Million

III. Robert Daddow, Deputy County Executive - Rationale for OPEB Bonds (20-30 Minutes)

IV. Kari Blanchett – Public Financial Management (10-15 Minutes)

- A. Review of Process to Receive Department of Treasury Approval
- B. Current and Evolving Market Conditions
- C. Structure of Bond Issue and Projected Cash Flows
- D. Impact on City's Borrowing Capacity and Bond Rating

V. Brian Green, Morgan Stanley – Recommended Investment Strategy to protect short-term drops in the market (10-15 Minutes)

VI. Laura Bassett, Miller Canfield Paddock and Stone (10-15 Minutes)

- A. Review Authorization to Issue OPEB Bonds
- B. Review Notice of Intent Resolution

VII. Questions and Answers

IIX. Consideration to Approve Notice of Intent Resolution to Issue $8.0 Million in Other Post Employment Benefit (OPEB) bonds.

Act No. 329
Public Acts of 2012
Approved by the Governor
October 9, 2012

Filed with the Secretary of State
October 9, 2012

EFFECTIVE DATE: October 9, 2012

**STATE OF MICHIGAN**
**96TH LEGISLATURE**
**REGULAR SESSION OF 2012**

**Introduced by Senator Colbeck**

# ENROLLED SENATE BILL No. 1129

AN ACT to amend 2001 PA 34, entitled "An act relative to the borrowing of money and the issuance of certain debt and securities; to provide for tax levies and sinking funds; to prescribe powers and duties of certain departments, state agencies, officials, and employees; to impose certain duties, requirements, and filing fees upon political subdivisions of this state; to authorize the issuance of certain debt and securities; to prescribe penalties; and to repeal acts and parts of acts," by amending sections 103, 305, and 503 (MCL 141.2103, 141.2305, and 141.2503) and by adding section 518.

*The People of the State of Michigan enact:*

Sec. 103. As used in this act:

(a) "Assessed value", "assessed valuation", "valuation as assessed", and "valuation as shown by the last preceding tax assessment roll", or similar terms, used in this act, any statute, or charter as a basis for computing limitations upon the taxing or borrowing power of any municipality, mean the state equalized valuation as determined under the general property tax act, 1893 PA 206, MCL 211.1 to 211.155.

(b) "Chief administrative officer" means that term as defined in section 2b of the uniform budgeting and accounting act, 1968 PA 2, MCL 141.422b.

(c) "Debt" means all borrowed money, loans, and other indebtedness, including principal and interest, evidenced by bonds, obligations, refunding obligations, notes, contracts, securities, refunding securities, municipal securities, or certificates of indebtedness that are lawfully issued or assumed, in whole or in part, by a municipality, or will be evidenced by a judgment or decree against the municipality.

(d) "Debt retirement fund" means a segregated account or group of accounts used to account for the payment of, interest on, or principal and interest on a municipal security.

(e) "Deficit" means a situation for any fund of a municipality in which, at the end of a fiscal year, total expenditures, including an accrued deficit, exceeded total revenues for the fiscal year, including any surplus carried forward.

(f) "Defined benefit plan" means a retirement program other than a defined contribution plan.

(g) "Defined contribution plan" means a retirement program that provides for an individual account for each participant and for benefits based solely upon the amount contributed to the participant's account, and any income, expenses, gains, and losses credited or charged to the account, and any forfeitures of accounts of other participants that may be allocated to the participant's account.

(h) "Department" means the department of treasury.

(i) "Fiscal year" means a 12-month period fixed by statute, charter, or ordinance, or if not so fixed, then as determined by the department.

(j) "Governing body" means the county board of commissioners of a county; the township board of a township; the council, common council, or commission of a city; the council, commission, or board of trustees of a village; the board of education or district board of a school district; the board of an intermediate school district; the board of trustees of a community college district; the county drain commissioner or drainage board of a drainage district; the board of the district library; the legislative body of a metropolitan district; the port commission of a port district; and, in the case of another governmental authority or agency, that official or official body having general governing powers over the authority or agency.

(k) "Health care trust fund" means a trust or fund created in accordance with the public employee health care fund investment act, 1999 PA 149, MCL 38.1211 to 38.1216, or other state or federal statute, and used exclusively to provide funding for postemployment health care benefits for public employee retirees of a county, city, village, or township. A health care trust fund also includes the retiree health fund vehicle administered by the municipal employees retirement system described in the municipal employees retirement act of 1984, 1984 PA 427, MCL 38.1501 to 38.1555, for a county, city, village, or township that has adopted the municipal employee retirement system to provide funding for postemployment health care benefits for public employee retirees.

(*l*) "Municipal security" means a security that when issued was not exempt from this act or former 1943 PA 202 by the provisions of this act or by former 1943 PA 202 or by the provisions of the law authorizing its issuance and that is payable from or secured by any of the following:

(*i*) Ad valorem real and personal property taxes.

(*ii*) Special assessments.

(*iii*) The limited or unlimited full faith and credit pledge of the municipality.

(*iv*) Other sources of revenue described in this act for debt or securities authorized by this act.

(m) "Municipality" means a county, township, city, village, school district, intermediate school district, community college district, metropolitan district, port district, drainage district, district library, or another governmental authority or agency in this state that has the power to issue a security. Municipality does not include this state or any authority, agency, fund, commission, board, or department of this state.

(n) "Outstanding security" means a security that has been issued, but not defeased or repaid, including a security that when issued was exempt from this act or former 1943 PA 202, by the provisions of this act or by former 1943 PA 202 or by the provisions of the law authorizing its issuance.

(o) "Qualified status" means a municipality that has filed a qualifying statement under section 303 and has been determined by the department to be qualified to issue municipal securities without further approval by the department.

(p) "Refunding security" means a municipal security issued to refund an outstanding security.

(q) "Retirement program" means a program of rights and obligations which a county, city, village, or township establishes, maintains, or participates in and which, by its express terms or as a result of surrounding circumstances, does 1 or more of the following:

(*i*) Provides retirement income to participants.

(*ii*) Results in a deferral of income for periods extending to the termination of covered employment or beyond.

(r) "Security" means an evidence of debt such as a bond, note, contract, obligation, refunding obligation, certificate of indebtedness, or other similar instrument issued by a municipality, which pledges payment of the debt by the municipality from an identified source of revenue.

(s) "Sinking fund" means a fund for the payment of principal only of a mandatory redemption security.

(t) "Taxable value" means the taxable value of the property as determined under section 27a of the general property tax act, 1893 PA 206, MCL 211.27a.

(u) "Unfunded accrued health care liability" means the difference between the assets and liabilities of a health care trust fund as determined by an actuarial study according to the most recent governmental accounting standards board's applicable standards.

(v) "Unfunded pension liability" means the amount a defined benefit plan's liabilities exceed its assets according to the most recent governmental accounting standards board's applicable standards.

Sec. 305. (1) A municipal security authorized by law to be issued by a municipality may, notwithstanding the provisions of a charter, bear no interest as provided in this section or a rate of interest not to exceed a maximum rate established by the governing body of the issuing municipality as set forth in its resolution or ordinance authorizing the issuance of the municipal security, which rate shall not exceed 18% per annum or a per annum rate determined by the department at the request of the municipality, whichever is higher. In making its determination, the department shall establish a rate that shall bear a reasonable relationship to 80% of the adjusted prime rate determined by the department under section 23 of 1941 PA 122, MCL 205.23. Except as otherwise provided in this section, the rate determined by the department shall be conclusive as to the maximum rate of interest permitted for a municipal security issued under this act.

(2) Except as provided in subsection (3), a municipal security issued under this act shall not be sold at a discount exceeding 10% of the principal amount of the municipal security. The amortization of the discount shall be considered interest and shall be within the interest rate limitation set forth in subsection (1).

(3) A municipal security may be sold at a discount exceeding 10% of the principal amount of the municipal security only if 1 or more of the following conditions apply, as determined by the department:

(a) The sale will result in the more even distribution for the municipality of total debt service on proposed and outstanding municipal securities.

(b) The sale will result in an interest cost savings when compared to the best available alternative that does not include a municipal security being sold at a discount exceeding 10% of the principal amount.

(c) The issuance is based on the availability of specific revenues previously pledged for another purpose and lawfully available for this purpose.

(d) The municipal security is issued to this state or the federal government to secure a loan or agreement.

(e) The municipal security is issued pursuant to section 518.

(4) A municipal security issued in accordance with subsection (3)(a), (b), or (c) shall be rated investment grade by a nationally recognized rating agency or have insurance for payment of the principal and interest on the municipal security to the holders of the municipal security.

(5) Notwithstanding any other provision of this section, a municipal security meeting the requirements of subsection (3) that is a refunding security shall not have a maturity that exceeds the maturity of the existing municipal security.

(6) Not more than 25% of the total principal amount of any authorized issue of a municipal security shall meet the qualifications under subsection (3)(a), (b), and (c).

(7) A municipal security may bear no interest if sold in accordance with a federal program by which the holder of the municipal security, as a result of holding the municipal security, may declare a credit against a federal tax.

(8) A municipal security may bear no interest and appreciate as to principal amount if it meets the requirements of subsections (3), (4), and (6). The accreted principal amount of a municipal security shall be considered interest and shall be within the interest rate limitations provided in subsection (1).

Sec. 503. (1) Municipal securities of a single issue may mature serially or be subject to mandatory redemptions, or both, with maturities as fixed by the governing body of the municipality. In any case, the first maturity or mandatory redemption date shall occur not later than 5 years after the date of issuance, and the total principal amount maturing or subject to mandatory redemption in any year after 4 years from the date of issuance shall not be less than 1/5 of the total principal amount maturing or subject to mandatory redemption in any subsequent year.

(2) In the resolution authorizing the issuance of a municipal security, the governing body of the municipality may provide that the municipality may purchase municipal securities in the open market at a price not greater than that payable on the next redemption date in order to satisfy all or part of the next succeeding scheduled mandatory redemption.

(3) The governing body of the municipality may provide that some or all of the principal amounts maturing in any year may be redeemed at the option of the municipality at the times, on the terms and conditions, and at the price as provided by resolution of the governing body, except that a municipality shall not agree to pay a premium exceeding 3% of the principal amount being redeemed.

(4) All outstanding and authorized municipal securities of a school district payable out of taxes may be treated as a single issue for the purpose of fixing maturities. Several series of municipal securities issued under the same authorization may be treated as a single issue for the purpose of fixing maturities.

(5) A municipal security issued by a school district that is sold in accordance with a federal program in which the holder of the municipal security, as a result of holding the municipal security, may declare a credit against a federal tax is exempt from the provisions of subsection (1) if the school district deposits in trust payments to provide for the repayment of the municipal security and the first required payment shall occur not later than 5 years after the date of issuance and each required payment in any year after 4 years from the date of issuance shall not be less than 1/5 of the total required payment in any subsequent year.

(6) A municipal security issued by a county, city, village, or township pursuant to section 518 shall not be subject to the maturity and mandatory redemption requirements of subsection (1).

Sec. 518. (1) Through December 31, 2014, in connection with the partial or complete cessation of accruals to a defined benefit plan or the closure of the defined benefit plan to new or existing employees, and the implementation of a defined contribution plan, or to fund costs of a county, city, village, or township that has already ceased accruals to a defined benefit plan, a county, city, village, or township may by ordinance or resolution of its governing body, and without a vote of its electors, issue a municipal security under this section to pay all or part of the costs of the unfunded pension liability for that retirement program provided that the amount of taxes necessary to pay the principal and interest on that municipal security, together with the taxes levied for the same year, shall not exceed the limit authorized by law.

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

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

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

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

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

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

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

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

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

(6) The proceeds of a municipal security issued under this section may be used to pay the costs of issuance of the municipal security. Except for a refunding, the proceeds of a municipal security issued under this section to cover unfunded health care liability shall be deposited in a health care trust fund, a trust created by the issuer which has as its beneficiary a health care trust fund, or, for a county, city, village, or township, a restricted fund within a trust that would only be used to retire the municipal securities issued under subsection (1) or (3). A county, city, village, or township shall have the power to create a trust to carry out the purposes of this subsection. The trust created under this subsection shall invest its funds in the same manner as funds invested by a health care trust fund. The trust created under this subsection shall comply with all of the following:

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

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

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

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

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

(10) A county, city, village, or township shall not issue a municipal security under subsection (1) or (2) unless the county, city, village, or township has been assigned a credit rating within the category of AA or higher or the equivalent by at least 1 nationally recognized rating agency.

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

This act is ordered to take immediate effect.

Carol Morey Viventi

Secretary of the Senate

Gary E Randall

Clerk of the House of Representatives

Approved

Governor

# Farmington City Council Staff Report

**Council Meeting Date:** June 24, 2013

**Reference Number (ID # 1309)**

**Submitted by:** Vincent Pastue, City Manager

**Description:** Consideration to Appoint to Vacant City Council Seat

**Requested Action:**

**Background:**

**Agenda Review**

**Review:**

| | |
|---|---|
| **Vincent Pastue** | **Pending** |
| **City Manager** | **Pending** |
| **City Council** | **Pending** |