ROCHESTER HILLS
MICHIGAN

innovative *by* nature

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Senate Bill 303

PA 20 of 1943 was designed to allow Public Corporations (Local units of Government) to invest their funds using short-term investment options. The logic being that most monies that are available for investment, by a Local Unit of Government, will be spent within the same year that the funds were collected and it would not be prudent for the Local Unit to invest in investment instruments that were more long-term focused since those funds would be needed, in the near future, to meet current cash flow needs.

Not all funds that are available for investment by a Local Unit of Government are short term in nature. For example, assets of public employee retirement system, because of their long-term character are allowed to invest in longer term instruments under PA 314 of 1965, which allows the Local Unit to match its long term investment strategy with its long term liability. Having the ability to match long term investment needs to its long term cash flow requirement allows for better long term investment performance.

In addition to funds of a retirement system, Local Units also have other long term funds available to them such as perpetual care funds. As the name implies, those funds are everlasting where investment earnings are needed or anticipated to provide the funding source for maintenance needs both for their current budget but also for future budgets to come, as in the case of a cemetery perpetual care trust.

Current legislation (PA 20 of 1943 and PA 314 of 1965) do not allow perpetual care funds, such as those related to cemeteries, to use longer term investments available in PA 314 and restrict those funds to only investment options available in PA 20 which are short term orientated. The amendment being proposed will allow perpetual care funds such as cemetery care funds to use long term investment options available in PA 314. This will allow for better matching of the long term cash needs with long term investment options.

The impact to the City of Rochester Hills if SB 303 were to become law is that the City's Cemetery Perpetual Care Trust Fund will conservatively be able to gain at least $50,000 in investment revenue (based on a 5.0% average return) on an annual basis over traditional investment options currently available to the City. Further, it is the intent of the City to reinvest these interest earnings back into the Cemetery Perpetual Care Trust Fund in order to accrue a level of principal funding in the Trust that will be able to generate an annual amount of interest earnings adequate to provide for the perpetual care, operation, and maintenance of the City's cemetery after all cemetery lots have been sold. In this way, funding for the perpetual care, operation, and maintenance of the City's cemetery will funded through the Perpetual Care Trust Fund, which will relieve the perpetual burden on the City's General Fund.