

**SUBSTITUTE FOR
HOUSE BILL NO. 4266**

A bill to amend 1967 (Ex Sess) PA 7, entitled
"Urban cooperation act of 1967,"
by amending section 5 (MCL 124.505), as amended by 1985 PA 10.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 5. A joint exercise of power pursuant to this act shall
2 be made by contract or contracts in the form of an interlocal
3 agreement which may provide for:

4 (a) The purpose of the interlocal agreement or the power to be
5 exercised and the method by which the purpose will be accomplished
6 or the manner in which the power will be exercised.

7 (b) The duration of the interlocal agreement and the method by
8 which it may be rescinded or terminated by any participating public
9 agency prior to the stated date of termination.

1 (c) The precise organization, composition, and nature of any
2 separate legal or administrative entity created in the interlocal
3 agreement with the powers designated to that entity.

4 (d) The manner in which the parties to the interlocal
5 agreement will provide for financial support from the treasuries
6 that may be made for the purpose set forth in the interlocal
7 agreement, payments of public funds that may be made to defray the
8 cost of such purpose, advances of public funds that may be made for
9 the purposes set forth in the interlocal agreements and repayment
10 of the public funds, and the personnel, equipment, or property of 1
11 or more of the parties to the agreement that may be used in lieu of
12 other contributions or advances.

13 (e) The manner in which funds may be paid to and disbursed by
14 any separate legal or administrative entity created pursuant to the
15 interlocal agreement.

16 (f) A method or formula for equitably providing for and
17 allocating revenues, including, in the case of an authorized
18 undertaking that is publicly owned at the time the interlocal
19 agreement is entered into or becomes publicly owned during the time
20 the interlocal agreement is in effect, revenues derived by or
21 payable to any participating party or any other public agency which
22 revenues directly or indirectly result from that undertaking,
23 whether the revenues are in the form of ad valorem taxes on real or
24 personal property, taxes on income, specific taxes or funds made
25 available by the state in lieu of ad valorem property taxes or
26 local income taxes, any other form of taxation, assessment, levy,
27 or impost, or any money paid under or which revert from a tax

1 increment financing plan. The interlocal agreement may also provide
2 a method or formula equitably providing for and allocating revenues
3 derived from a federal or state grant or loan, or from a gift,
4 bequest, grant, or loan from a private source. The interlocal
5 agreement may also provide for a method or formula for equitably
6 allocating and financing the capital and operating costs, including
7 payments to reserve funds authorized by law and payments of
8 principal and interest on obligations. Each method or formula shall
9 be established by the participating parties to the interlocal
10 agreement on a ratio of full valuation of real property, on the
11 basis of the amount of services rendered or to be rendered, on the
12 basis of benefits received or conferred or to be received or
13 conferred, or on any other equitable basis, including the levying
14 of taxes or assessments on the entire area serviced by the parties
15 to the interlocal agreement, subject to such limitations as may be
16 contained in the constitution and statutes of this state, to pay
17 those capital and operating costs.

18 (g) The manner of employing, engaging, compensating,
19 transferring, or discharging necessary personnel, subject both to
20 the provisions of applicable civil service and merit systems, and
21 the following restrictions:

22 (i) The employees who are necessary for the operation of an
23 undertaking created by an interlocal agreement, shall be
24 transferred to and appointed as employees subject to all rights and
25 benefits. These employees shall be given seniority credits and sick
26 leave, vacation, insurance, and pension credits in accordance with
27 the records or labor agreements from the acquired system. Members

1 and beneficiaries of any pension or retirement system or other
2 benefits established by the acquired system shall continue to have
3 rights, privileges, benefits, obligations, and status with respect
4 to such established system. The political subdivisions to which the
5 functions or responsibilities have been transferred shall assume
6 the obligation of any transportation system acquired by it with
7 regard to wages, salaries, hours, working conditions, sick leave,
8 health and welfare, and pension or retirement provisions for
9 employees. If the employees of an acquired system were not
10 guaranteed sick leave, health and welfare, and pension or
11 retirement pay based on seniority, the political subdivision shall
12 not be required to provide these benefits retroactively.

13 (ii) An employee who is transferred to a position with the
14 political subdivision shall not, by reason of the transfer, be
15 placed in any worse position with respect to worker's compensation,
16 pension, seniority, wages, sick leave, vacation, health and welfare
17 insurance, or any other benefits that the employee enjoyed as an
18 employee of the acquired system.

19 (iii) **NOTHING IN THIS ACT REQUIRES THAT THE EMPLOYER PAY TO**
20 **EMPLOYEES THE HIGHEST WAGES AND BENEFITS PREVIOUSLY PAID TO ANY OF**
21 **THE EMPLOYEES OR THEIR PREEXISTING BARGAINING UNITS.**

22 (h) The fixing and collecting of charges, rates, rents, fees,
23 loan repayments, loan interest rates, or other charges on loans,
24 where appropriate, and the making and promulgation of necessary
25 rules and regulations and their enforcement by or with the
26 assistance of the participating parties to the interlocal
27 agreement.

1 (i) The manner in which purchases shall be made and contracts
2 entered into.

3 (j) The acquisition, ownership, custody, operation,
4 maintenance, lease, or sale of real or personal property.

5 (k) The disposition, division, or distribution of any property
6 acquired through the execution of such interlocal agreement.

7 (l) The manner in which, after the completion of the purpose of
8 the interlocal agreement, any surplus money shall be returned.

9 (m) The acceptance of gifts, grants, assistance funds, or
10 bequests and the manner in which those gifts, grants, assistance
11 funds, or bequests may be used for the purpose set forth in the
12 interlocal agreement.

13 (n) The making of claims for federal or state aid payable to
14 the individual or several participants on account of the execution
15 of the interlocal agreement.

16 (o) The manner of responding for any liabilities that might be
17 incurred through performance of the interlocal agreement and
18 insuring against any such liability.

19 (p) The adjudication of disputes or disagreements, the effects
20 of failure of participating parties to pay their shares of the
21 costs and expenses, and the rights of the other participants in
22 such cases.

23 (q) The manner in which strict accountability of all funds
24 shall be provided for and the manner in which reports, including an
25 annual independent audit, of all receipts and disbursements shall
26 be prepared and presented to each participating party to the
27 interlocal agreement.

1 (r) The manner of investing surplus funds or proceeds of
2 grants, gifts, or bequests to the parties to the interlocal
3 agreement under the control of a legal or administrative entity
4 created under section 7.

5 (s) Any other necessary and proper matters agreed upon by the
6 participating public agencies.