

**SUBSTITUTE FOR  
SENATE BILL NO. 1086**

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8 which it may be rescinded or terminated by any participating public  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~~**THE** established system. The political subdivisions to which  
5 the functions or responsibilities have been transferred shall  
6 assume the obligation of any transportation system acquired by it  
7 with regard to wages, salaries, hours, working conditions, sick  
8 leave, 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 **UNTIL A NEW LABOR AGREEMENT IS IN**  
16 **PLACE** with respect to worker's compensation, pension, seniority,  
17 wages, sick leave, vacation, health and welfare insurance, or any  
18 other benefits that the employee enjoyed as an employee of the  
19 acquired system.

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

24 (iv) **NOTWITHSTANDING SUBPARAGRAPH (iii), ALL EXISTING AND EXPIRED**  
25 **LABOR CONTRACTS WITH AN ACQUIRED SYSTEM SHALL BE ASSUMED BY THE**  
26 **POLITICAL SUBDIVISION AND REMAIN IN EFFECT UNTIL A NEW LABOR**  
27 **AGREEMENT IS IN PLACE.**

1           (h) The fixing and collecting of charges, rates, rents, fees,  
2 loan repayments, loan interest rates, or other charges on loans,  
3 where appropriate, and the making and promulgation of necessary  
4 rules and regulations and their enforcement by or with the  
5 assistance of the participating parties to the interlocal  
6 agreement.

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

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

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

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

15           (m) The acceptance of gifts, grants, assistance funds, or  
16 bequests and the manner in which those gifts, grants, assistance  
17 funds, or bequests may be used for the purpose set forth in the  
18 interlocal agreement.

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

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

25           (p) The adjudication of disputes or disagreements, the effects  
26 of failure of participating parties to pay their shares of the  
27 costs and expenses, and the rights of the other participants in

1 such cases.

2 (q) The manner in which strict accountability of all funds  
3 shall be provided for and the manner in which reports, including an  
4 annual independent audit, of all receipts and disbursements shall  
5 be prepared and presented to each participating party to the  
6 interlocal agreement.

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

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