

**SENATE SUBSTITUTE FOR  
HOUSE BILL NO. 4312**

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. (1) A joint exercise of power pursuant to this act  
2 shall 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8 which it may be rescinded or terminated by any participating public  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.

10       (c) The precise organization, composition, and nature of any

1 separate legal or administrative entity created in the interlocal  
2 agreement with the powers designated to that entity.

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

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

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

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

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

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

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

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

**(G) THE PUBLIC AGENCY THAT WILL FUNCTION AS THE EMPLOYER OF PERSONNEL AND STAFF NEEDED FOR THE JOINT EXERCISE OF POWER.**

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

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

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

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

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

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

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

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

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

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

26           (r) The manner of investing surplus funds or proceeds of  
27 grants, gifts, or bequests to the parties to the interlocal

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1 agreement under the control of a legal or administrative entity  
2 created under section 7.

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

5 (2) THE PUBLIC AGENCIES THAT ARE PARTIES TO A CONTRACT ENTERED  
6 INTO PURSUANT TO THIS ACT HAVE THE RESPONSIBILITY, AUTHORITY, AND  
7 RIGHT TO MANAGE AND DIRECT ON BEHALF OF THE PUBLIC THE FUNCTIONS OR  
8 SERVICES PERFORMED OR EXERCISED IN CONNECTION WITH THE CONTRACT.

9 (3) THE CONTENTS OR LANGUAGE OF A CONTRACT FOR A JOINT  
10 EXERCISE OF POWER UNDER THIS ACT SHALL BE A PERMISSIVE SUBJECT OF  
11 COLLECTIVE BARGAINING BETWEEN A PUBLIC AGENCY AND A BARGAINING  
12 REPRESENTATIVE OF ITS EMPLOYEES. IF A PUBLIC AGENCY AND A  
13 BARGAINING REPRESENTATIVE OF ITS EMPLOYEES ENGAGE IN COLLECTIVE  
14 BARGAINING BEFORE THE CONTRACT FOR A JOINT EXERCISE OF POWER IS  
15 APPROVED AND THAT PUBLIC AGENCY AND THAT BARGAINING REPRESENTATIVE  
16 REACH AN AGREEMENT ON ISSUES THAT WOULD OBLIGATE THE PUBLIC AGENCY  
17 THAT WILL FUNCTION AS AN EMPLOYER IN THE JOINT EXERCISE OF POWER,  
18 THEN THE CONTRACT FOR THAT JOINT EXERCISE OF POWER SHALL INCLUDE  
19 THOSE OBLIGATIONS.

20 (4) NOTHING IN THIS ACT CREATES AN EMPLOYMENT RELATIONSHIP  
21 BETWEEN THE EXISTING EMPLOYEES OF A PUBLIC AGENCY AND THE PROPOSED  
22 JOINT EXERCISE OF POWER.

<<(5) ALL UNEXPIRED COLLECTIVE BARGAINING AGREEMENTS WITH A  
PUBLIC AGENCY SHALL REMAIN IN EFFECT UNTIL EXPIRED, MODIFIED, OR  
REPLACED BY A COLLECTIVE BARGAINING AGREEMENT WITH THE JOINT  
EXERCISE OF POWER UNDER THIS SECTION IN ACCORDANCE WITH 1947  
PA 336, MCL 423.201 TO 423.217, AND OTHER APPLICABLE LAWS. IF THE  
EMPLOYEES OF A JOINT EXERCISE OF POWER ARE IN A BARGAINING UNIT  
REPRESENTED BY A LABOR ORGANIZATION, BUT ARE NOT SUBJECT TO AN  
UNEXPIRED COLLECTIVE BARGAINING AGREEMENT, THE TERMS AND CONDITIONS  
OF EMPLOYMENT SHALL REMAIN IN EFFECT UNTIL MODIFIED IN ACCORDANCE  
WITH 1947 PA 336, MCL 423.201 TO 423.217, AND OTHER APPLICABLE  
LAWS. NOTHING IN THIS SECTION REQUIRES A PUBLIC AGENCY OR A JOINT  
EXERCISE OF POWER TO ASSUME A COLLECTIVE BARGAINING AGREEMENT  
BETWEEN ANOTHER PUBLIC AGENCY AND ITS EMPLOYEES.>>