

**SUBSTITUTE FOR
SENATE BILL NO. 859**

A bill to amend 1967 (Ex Sess) PA 7, entitled
"Urban cooperation act of 1967,"
by amending section 7 (MCL 124.507), as amended by 1985 PA 10.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 7. (1) An interlocal agreement may provide for a sepa-
2 rate legal or administrative entity to administer or execute the
3 agreement which may be a commission, board, or council consti-
4 tuted pursuant to the agreement. The entity shall be a public
5 body, corporate or politic for the purposes of this act. The
6 governing body of each public agency shall appoint a member of
7 the commission, board, or council constituted pursuant to the
8 agreement. That member may be removed by the appointing govern-
9 ing body at will. The administrative or legal entity shall not
10 be operated for profit. No part of its earnings shall inure to
11 the benefit of a person other than the public agencies ~~which~~

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1 THAT created it. Upon termination of the interlocal agreement,
2 title to all property owned by the entity shall vest in the
3 public agencies ~~which~~ THAT incorporated it.

4 (2) A separate legal or administrative entity created by an
5 interlocal agreement shall possess the common power specified in
6 the agreement and may exercise it in the manner or according to
7 the method provided in the agreement. The entity may be, in
8 addition to its other powers, authorized in its own name to make
9 and enter into contracts, to employ agencies or employees, to
10 acquire, construct, manage, maintain, or operate buildings,
11 works, or improvements, to acquire, hold, or dispose of property,
12 to incur ~~debts,~~ liabilities, ~~or obligations~~ which, except as
13 expressly authorized by the parties, do not constitute the
14 ~~debts,~~ liabilities ~~, or obligations~~ of any of the parties to
15 the agreement, to cooperate with a public agency, an agency or
16 instrumentality of that public agency, or another legal or admin-
17 istrative entity created by that public agency under this act, to
18 make loans from the proceeds of gifts, grants, assistance funds,
19 or bequests pursuant to the terms of the interlocal agreement
20 creating the entity, and to form other entities necessary to fur-
21 ther the purpose of the interlocal agreement. The entity may sue
22 and be sued in its own name.

23 (3) No separate legal or administrative entity created by an
24 interlocal agreement shall possess the power or authority to levy
25 any type of tax within the boundaries of any governmental unit
26 participating in the interlocal agreement, or to issue any type
27 of bond in its own name, ~~except as provided in subsection (4),~~

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1 or to in any way indebt a governmental unit participating in the
2 interlocal agreement.

3 ~~-(4) A separate legal or administrative entity created by an~~
4 ~~interlocal agreement with the power to receive and administer~~
5 ~~grants, gifts, bequests, or assistance funds may be authorized by~~
6 ~~the interlocal agreement to borrow money and to issue bonds or~~
7 ~~notes in its name for local public improvements or for economic~~
8 ~~development purposes as set forth in the interlocal agreement.~~
9 ~~These bonds or notes shall be secured solely by revenues derived~~
10 ~~from repayments of loans made from the proceeds of the grants,~~
11 ~~gifts, bequests, or assistance funds, and shall not be general~~
12 ~~obligations of the entity or of the public agencies which incor-~~
13 ~~porated the entity. Bonds or notes issued pursuant to this sub-~~
14 ~~section shall be approved by the department of treasury before~~
15 ~~their issuance but shall not otherwise be subject to the provi-~~
16 ~~sions of the municipal finance act, Act No. 202 of the Public~~
17 ~~Acts of 1943, being sections 131.1 to 139.3 of the Michigan~~
18 ~~Compiled Laws. In determining whether the issuance of the bonds~~
19 ~~or notes shall be approved, the department of treasury shall take~~
20 ~~into consideration the following:~~

21 ~~(a) Whether the bonds or notes conform to the provisions of~~
22 ~~law.~~

23 ~~(b) Whether the probable revenue and properties pledged for~~
24 ~~the payment of the bonds or notes will be sufficient to pay the~~
25 ~~principal of and interest on the bonds or notes when due.~~

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1 ~~(c) Whether the amount of the proposed issue is sufficient~~
2 ~~or excessive for the purpose for which the bonds or notes are to~~
3 ~~be issued.~~

4 ~~(5) Bonds or notes issued under the provisions of subsection~~
5 ~~(4) are declared to be issued for an essential public and govern-~~
6 ~~mental purpose, and, together with interest on those bonds or~~
7 ~~notes and income from those bonds or notes, shall be exempted~~
8 ~~from all taxes.~~

9 (4) A SEPARATE LEGAL OR ADMINISTRATIVE ENTITY CREATED BY AN
10 INTERLOCAL AGREEMENT MAY BE AUTHORIZED BY THE INTERLOCAL AGREE-
11 MENT TO BORROW MONEY AND TO ISSUE BONDS OR NOTES IN ITS NAME FOR
12 LOCAL PUBLIC IMPROVEMENTS OR FOR ECONOMIC DEVELOPMENT PURPOSES AS
13 PROVIDED IN THE INTERLOCAL AGREEMENT.

14 (5) THE ENTITY CREATED BY THE INTERLOCAL AGREEMENT SHALL NOT
15 BORROW MONEY OR ISSUE BONDS OR NOTES FOR A SUM THAT, TOGETHER
16 WITH THE TOTAL OUTSTANDING BONDED INDEBTEDNESS OF THE ENTITY,
17 EXCEEDS 2 MILLS OF THE TAXABLE VALUE OF THE TAXABLE PROPERTY
18 WITHIN THE LOCAL GOVERNMENTAL UNITS PARTICIPATING IN THE INTERLO-
19 CAL AGREEMENT AS DETERMINED UNDER SECTION 27A OF THE GENERAL
20 PROPERTY TAX ACT, 1893 PA 206, MCL 211.27A.

21 (6) BONDS OR NOTES ISSUED UNDER THIS ACT ARE A DEBT OF THE
22 ENTITY CREATED BY THE INTERLOCAL AGREEMENT AND NOT OF THE PARTIC-
23 IPATING LOCAL GOVERNMENTAL UNITS.

24 (7) BONDS OR NOTES ISSUED UNDER THIS ACT ARE DECLARED TO BE
25 ISSUED FOR AN ESSENTIAL PUBLIC AND GOVERNMENTAL PURPOSE AND,
26 TOGETHER WITH INTEREST ON THOSE BONDS OR NOTES AND INCOME FROM
27 THOSE BONDS OR NOTES, ARE EXEMPT FROM ALL TAXES.

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1 (8) BONDS OR NOTES ISSUED UNDER THIS ACT ARE SUBJECT TO THE
2 REVISED MUNICIPAL FINANCE ACT, 2001 PA 34, MCL 141.2101 TO
3 141.2821.