

Bond Case Briefs

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SEWER SYSTEMS - MICHIGAN

Township of Leoni v. Township of Columbia

Court of Appeals of Michigan - July 20, 2017 - Not Reported in N.W.2d - 2017 WL 3090598

The Southern Regional Interceptor sewer system is a health and safety project financed by a public bond issue pursuant to a contract between various townships and Jackson County.

Township of Leoni ("plaintiff") owns and operates a wastewater treatment plant that is part of the project. Plaintiff pledged its full faith and credit for the payments of "obligations pledged for note and bond payments" under the bond contract, anticipating contributions from other townships ("defendants"), but upon finding that those contributions were falling short of what was required to cover the obligations, and the defendants having failed/refused to provide any additional funds, initiated this lawsuit.

The trial court dismissed plaintiff's complaint on defendants' motion for summary disposition, on the ground that, under the bond contract, as informed by the pertinent statute, only Jackson County had the right to direct defendants to increase their funding. The trial court also invoked the concept of standing in declaring, "because the County didn't bring this case, [plaintiff] does not have standing under this contract to bring this action."

Plaintiff appealed, arguing that the trial court's conclusions were at variance with the plain meaning of the contract, as well as the applicable statute, and the law regarding standing.

The Court of Appeals held that:

- As to standing, the trial court did not fail to recognize that plaintiff had a special injury or substantial interest in the matter at hand, but instead held that the contract at issue left plaintiff without a cause of action as it concerned compelling defendants to increase their payments to plaintiff to meet contractual obligations;
- The applicable section of the bond contract set forth contractual rights for plaintiff, but with enforcement options limited to providing notice and seeking cooperation from its contract partners;
- The bond contract granted only Jackson County – not plaintiff – the right to "direct" defendants to increase their funding to support the sewer system; and
- The trial court's declaration that the townships were obligated to fund the sewer system did not give plaintiff the right to directly seek enforcement against the other townships, but rather the right to pursue a mandamus action to compel Jackson County to exercise its contractual obligations to ensure sufficient funding.