

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 4206 (Substitute H-2 as passed by the House)
Sponsor: Representative Leon Drolet
House Committee: Government Operations
Senate Committee: Local, Urban and State Affairs

Date Completed: 2-26-03

CONTENT

The bill would create a new act to require a qualified city that owned or operated a water or sewer system to establish an authority to provide review and oversight of the system's contract process.

A "qualified city" would be a city with a population of 750,000 or more that was a member of the authority created under the bill. A "water or sewer system", or "system", would be a water supply facility or sewerage services facility, or both, that provided water or sewerage service to more than 20% of the State's population. (Under these provisions, only Detroit would be a qualified city, and the "system" would be the Detroit water and sewage system.)

The members of the authority would be the city and each "qualified county" (a county with a population of 400,000 or more) that was served by the system. The city and qualified counties would be subject to the bill's requirements and the policies and procedures established by the authority. Within 30 days after the bill's effective date, the city and each qualified county that was a member of the authority would have to appoint representatives to the authority as follows:

- The city's mayor, with the advice and consent of the city's governing body, would appoint one person.
- The county board of commissioners of each qualified county that did not contain the qualified city would appoint one person.
- One person would be appointed to represent the qualified county that contained the qualified city (i.e., Wayne County). This appointment would be made by a majority vote of the chief elected officials of the five largest local units within the county (other than the qualified city).

Each appointee would have one vote. An appointee would serve a four-year term or until a successor was appointed. A person could be reappointed, or could be replaced by the appointing member at any time. The authority would have to elect a chairperson and other officers it considered necessary; adopt bylaws and rules to govern its operation; and meet at least quarterly.

Appointees would be public servants under Public Act 317 of 1968 and would be subject to any other applicable law with respect to conflicts of interest. (Public Act 317 prescribes requirements for the conduct of public servants regarding governmental decisions and contracts with public entities.) The authority would have to establish policies and procedures requiring periodic disclosure by appointees of relationships that could give rise to conflicts of interest. The bill would require the authority to establish an ethics manual governing the conducting of system business and the conduct of employees of the system.

The authority would have to establish policies that were no less stringent than those provided for public officers and employees by Public Act 196 of 1973 (which prescribes standards of conduct for public officers and employees). The policies would have to include compliance by each member of the authority and employees of the system who regularly exercised significant discretion over the award and management of authority procurements, with policies governing the following:

- Immediate disclosure of the existence and nature of any financial interest that would reasonably be expected to create a conflict of interest.
- Withdrawal by a member or employee from participation in, discussion of, or evaluation of any recommendation or decision regarding procurement involving the water or sewer system, that would reasonably be expected to create a conflict of interest for that member or employee.

Legislative Analyst: George Towne

FISCAL IMPACT

The bill would have no fiscal impact on State or local revenues or expenditures. The bill would not provide for any revenue source for the authority, provide for any members of the authority to be paid, or authorize the authority to spend any money. The authority's duties would be limited to review and oversight of the contract process for any water or sewer system operated by an affected city and to development of an ethics policy for the conduct of those running the water or sewer system. Because the authority could not enforce any determinations or rules, would have no powers to bill member units for expenses or share expenses, and could not reject, negotiate or terminate any contracts, the authority's activities should have no fiscal impact on local units.

This estimate is preliminary and will be revised as new information becomes available.

Fiscal Analyst: David Zin