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BILL ANALYSIS



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Senate Bill 979 (Substitute S-2)
Sponsor: Senator Jim Ananich
Committee: Government Operations

Date Completed: 9-21-16

CONTENT

The bill would enact the "Municipal Recovery and Development Authority Act" to do the following:

- **Permit a local government in which a drinking water declaration of emergency was issued by the Governor to form a municipal recovery and development authority.**
- **Provide that the authority would have a maximum duration of 15 years.**
- **Permit the authority to provide funding to the local government to promote and assist in its recovery and economic development regarding a drinking water declaration of emergency**
- **Permit the authority, with voter approval, to levy a tax of up to 0.5 mill on taxable property within the local government.**
- **Permit the authority to borrow money and issue revenue bonds and notes.**
- **Provide that bonds issued under the Act would have to be sold to the Michigan Finance Authority.**
- **Require the authority to be governed by an 11-member board of directors, which would have to hire an executive director.**

Establishment of Authority; Board of Directors

A local government could form a municipal recovery and development authority to promote and assist in the recovery and economic development of that local government regarding a drinking water declaration of emergency issued by the Governor. "Local government" would mean a city in which such a declaration was issued.

To initiate the establishment of an authority, a majority of the members of the local government's governing body would have to prepare articles of incorporation. Before the articles were adopted, they would have to be published at least once in a newspaper generally circulated within the local government and would have to be posted on its website. Upon adoption, the clerk of the local government would have to file the articles with the Secretary of State.

The authority would have a duration of not more than 15 years from the date the articles were filed.

The authority would have to be directed and governed by an 11-member board of directors consisting of the following appointed members:

- Two individuals appointed by the Governor from a list of three or more selected by the Speaker of the House of Representatives.
- Two members appointed by the Governor from a list of three or more selected by the Senate Majority Leader.
- One licensed or registered health professional, appointed by the chief executive officer of the local government (the mayor).
- One civil engineer licensed as a professional engineer, appointed by the chief executive officer.
- One certified public accountant appointed by the governing body of the local government.
- One education professional, appointed by the governing body.
- Two at-large members appointed by the chief executive officer.
- One at-large member appointed by the governing body.

At least one of the members appointed by the Governor from the list submitted the Speaker of the House, and at least one appointed from the list submitted by the Senate Majority Leader, would have to be residents of the local government. At least two of the members appointed by the chief executive officer and two appointed by the governing body also would have to be residents of the local government.

The board would be subject to the Open Meetings Act and the Freedom of Information Act.

The board would have to hire an executive director to whom the authority could delegate any of its administrative powers and authorizations. An executive director could not enter into a contract that had a cumulative value of \$100,000 or more without approval of a majority of the board members.

The board also would have to employ and set the compensation of employees of the board and contract for legal and other professional services that it considered necessary.

The board would be required to submit a monthly progress report to the chief executive officer and the governing body of the local government, which would have to make the report available on its internet website. The monthly report would have to include, at least, a list of all expenditures by the authority for the reporting period.

The board also would have to obtain an annual audit of the authority, and report on the audit and auditing procedures, as provided in the Uniform Budgeting and Accounting Act.

If it ended a fiscal year in a deficit condition, the authority would have to file a financial plan to correct the deficit condition as provided in the State Revenue Sharing Act.

Authority Tax

The authority could levy a tax of not more than 0.5 mill on all of the taxable property within the local government. The tax could be levied for a period of time as determined by the board that did not go beyond the existence of the authority. The tax could be levied for the purpose of promoting and assisting in the recovery and economic development of the local government regarding a drinking water declaration of emergency issued by the Governor. The authority could levy the tax only if a majority of the electors in the local government voting on the tax at a statewide general or primary election approved the tax.

A proposal for a tax could not be placed on the ballot unless the proposal was adopted by a resolution of the board and certified by the board not later than the 12th Tuesday before the election to the clerk of the local government. Not more than two elections could be held in a calendar year on a proposal for a tax.

A tax authorized to be levied under the proposed Act would have to be levied and collected at the same time and in the same manner as provided in the General Property Tax Act.

Bonds & Notes

The authority could borrow money and issue revenue bonds and notes for the purpose of promoting and addressing the recovery and economic development of the local government regarding a drinking water declaration of emergency issued by the Governor.

Revenue bonds would be payable upon the terms and conditions specified by the authority in the resolution under which it issued the bonds or in a related trust agreement or trust indenture. Bonds could not mature beyond the existence of the authority.

The resolution would have to contain specified items, including a provision for the deposit of revenue pledged for the payment of bonds into a separate account for the purpose of paying principal and interest on the bonds, the administrative costs associated with them, and any other bonds issued by the authority that were secured by that revenue.

The authority could issue bond anticipation notes secured by the issuance of revenue bonds, in addition to the revenue that the authority would be permitted to pledge for the payment of the bonds or other obligations of the authority.

Bonds issued under the proposed Act would have to be sold to the Michigan Finance Authority.

The bonds would not be subject to the Revised Municipal Finance Act or the Revenue Bond Act.

Other Authority Powers

In addition to the activities described above, the authority could enter into contracts necessary or incidental to the performance of its powers, duties, functions, and responsibilities. The authority could not enter into any contract longer than the existence of the authority.

The authority could solicit, receive, and accept gifts, grants, loans, contributions of money, property, or other things of value, or other aid or payment from any Federal, State, local, or intergovernmental agency, or from any other person or entity, and participate in any other way in a Federal, State, local, or intergovernmental program.

The authority also could apply for and receive loans, grants, guarantees, or other financial assistance from any Federal, State, local, or intergovernmental agency or from any other person or entity.

In addition, the authority could acquire, hold, lease, and dispose of real and personal property, and could convey, sell, transfer, exchange, lease, or otherwise dispose of property or rights or interests in property to any person for consideration.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

If established, the proposed municipal recovery and development authority (MRDA) would increase revenue for recovery and development within the City of Flint by an unknown amount. The MRDA would incur administrative costs and the City of Flint would incur costs to incorporate the authority. The fiscal impact of the bill would depend on the decision of the city to establish an MRDA and subsequent decisions by the authority board regarding administrative and project costs, bonding, and the levy of a property tax of up to 0.5 mill for

up to 15 years, which would require voter approval. The MRDA would be able to receive revenue from grants; loans; and local, State, and Federal government. An MRDA property tax of 0.5 mill, if approved by the voters, would raise annual revenue of approximately \$355,000 based on the 2016 taxable value of the City of Flint. That amount would likely decline for at least several years because of the phase-in of the exemption from taxation of eligible manufacturing personal property and the downward trend in taxable value in Flint. Since 2010, taxable value in Flint has declined by approximately 45%. The MRDA would be authorized to issue bonds to raise funds for recovery and economic development, which would be purchased by the Michigan Municipal Finance Authority (MFA). Administrative costs of the MRDA would include the cost of an executive director of the authority, audits, and monthly progress reporting, which would be required by the bill. If the MRDA issued bonds, the responsibilities of the MFA within the Department of Treasury would increase. The MFA is funded by program revenue.

Fiscal Analyst: Elizabeth Pratt

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.