

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

Senate Bill 195 (Substitute S-4 as reported by the Committee of the Whole)
Sponsor: Senator Laura M. Toy
Committee: Local, Urban and State Affairs

CONTENT

The bill would create a new act to do the following:

- Require an authority to establish policies and procedures for the contracting of services for Detroit's water and sewer system.
- Require the authority to review and approve all contracts or appropriations that exceeded \$50,000 and contract overruns.
- Prohibit the system from awarding a contract for the construction, repair, remodeling, or demolition of a water and sewer facility unless the contract was let under a procedure that required competitive bidding, subject to several exceptions.
- Prohibit the water and sewer system from charging a customer more than that allowed under a contract to provide services, require additional charges to be itemized on a customer's bill, and provide for a complaint process.
- Require the system's chief financial officer, by February 1 each year, to prepare and submit to each member of the system's authority a proposed budget for the next fiscal year, covering its anticipated expenses of administration, operation, maintenance, and contract procurements.

The bill is tie-barred to House Bill 4206, which, as passed by the House, would create a new act to require the City of Detroit to establish an authority to provide review and oversight of its water and sewer system's contract process.

Legislative Analyst: George Towne

FISCAL IMPACT

The bill would have no impact on State revenues or expenditures. The bill would have an indeterminate impact on local units of government that would vary between different local units depending upon a variety of factors. The bill would not provide for any revenue source for the authority or for authority members to be paid, nor would it authorize the authority to spend any money. The authority's duties would be limited to review and approval of contracts and/or contract overruns exceeding \$50,000. The fiscal impact this would have on any local unit or system customer would depend on the extent that operating expenses differed from expenses under current law and the extent that changes in operating expenses are passed on to system customers under current law and would be under the bill.

The impact of the bill also would depend upon the administrative and operating costs of the authority as well as the rates and fees the regional system would charge its customers under the bill compared with the costs and charges under current law. The degree to which the authority would review contracts and/or improve, enlarge, or

refinance the system also would affect the fiscal impact upon individual local units.

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

Date Completed: 3-5-03

Fiscal Analyst: David Zin