

HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 195

A bill to provide for the approval of certain contracts and rates involving the operation of certain water and sewer systems; to require certain policies and procedures in the awarding of contracts and approving of rates; to provide for the powers and duties of certain governmental officials and entities; and to provide for remedies.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

- 1       Sec. 1. As used in this act:
- 2       (a) "Authority" means an authority created under this act.
- 3       (b) "Local unit of government" means a city, village, or
- 4 township. A local unit of government does not include a
- 5 qualified city.
- 6       (c) "Qualified city" means a city with a population of
- 7 750,000 or more that is a member of an authority created under
- 8 this act.

1 (d) "Qualified county" means a county with a population of  
2 400,000 or more that is a member of an authority created under  
3 this act.

4 (e) "Water or sewer system" or "system" means a water supply  
5 facility or sewerage services facility, or both, that provides  
6 water or sewerage service to more than 20% of the population of  
7 this state.

8 Sec. 2. Pursuant to section 27 of article VII of the state  
9 constitution of 1963 and any other applicable law, an authority  
10 created under this act is an agency and instrumentality of the  
11 state that has all of the powers of a public corporation in the  
12 exercising of its duties under this act.

13 Sec. 3. (1) An authority is established for each water or  
14 sewer system operating in this state to provide review and  
15 oversight of the contract process of and the rates charged by the  
16 system.

17 (2) The members of the authority shall be all qualified  
18 counties and qualified cities that are served by the water or  
19 sewer system. Each member of the authority is subject to the  
20 requirements of this act and the policies and procedures  
21 established by the authority.

22 (3) Not more than 30 days after the effective date of this  
23 act, each qualified county and qualified city that is a member of  
24 an authority shall make appointments to the authority as provided  
25 under this section.

26 (4) One person shall be appointed to represent each qualified  
27 county that does not have a qualified city located within the

1 county. The appointment under this subsection shall be made by  
2 the county board of commissioners.

3 (5) One person shall be appointed to represent each qualified  
4 city. The appointment under this subsection shall be made by the  
5 mayor of the city, with the advice and consent of the city's  
6 governing body.

7 (6) If a qualified county has a qualified city within the  
8 county, 1 person who does not live or work within the qualified  
9 city shall be appointed to represent the county. The appointment  
10 under this subsection shall be made by the majority vote of the  
11 chief elected officials of the 5 largest local units of  
12 government within the county.

13 (7) A person appointed under this section shall serve for a  
14 term of 4 years, or until a successor is appointed, whichever is  
15 later. A successor to a member shall be appointed in the same  
16 manner and shall serve for a term of 4 years, or until a  
17 successor is appointed, whichever is later. A person may be  
18 reappointed to the authority. A person appointed to the  
19 authority may be replaced by the appointing member at any time.

20 Sec. 4. (1) A majority of the persons appointed to the  
21 authority constitute a quorum for the transaction of business.

22 (2) The person appointed to the authority shall have 1 vote.

23 (3) The first meeting of the authority shall be held not more  
24 than 45 days after the effective date of this act.

25 (4) The authority shall elect a chairperson and other  
26 officers as the authority considers necessary. The authority  
27 shall adopt bylaws and rules to govern the operation of the

1 authority.

2 (5) After its first meeting, the authority shall meet not  
3 less than quarterly and at such other times as determined by the  
4 authority.

5 Sec. 5. An authority created under this act is subject to  
6 the freedom of information act, 1976 PA 442, MCL 15.231 to  
7 15.246, and the open meetings act, 1976 PA 267, MCL 15.261 to  
8 15.275.

9 Sec. 6. (1) Persons appointed to the authority are public  
10 servants under 1968 PA 317, MCL 15.321 to 15.330, and are subject  
11 to any other applicable law with respect to conflicts of  
12 interest.

13 (2) An authority shall establish policies and procedures  
14 requiring periodic disclosure by persons appointed to the  
15 authority of relationships which may give rise to conflicts of  
16 interest.

17 Sec. 7. (1) An authority shall establish an ethics manual  
18 governing the conducting of system business and the conduct of  
19 employees of the system.

20 (2) An authority shall establish policies under this section  
21 that are no less stringent than those provided for public  
22 officers and employees by 1973 PA 196, MCL 15.341 to 15.348. The  
23 policies established under this section shall include compliance  
24 by each person appointed to the authority and employees of the  
25 system who regularly exercise significant discretion over the  
26 award and management of authority procurements with policies  
27 governing all of the following:

1 (a) Immediate disclosure of the existence and nature of any  
2 financial interest that would reasonably be expected to create a  
3 conflict of interest.

4 (b) Withdrawal by the person appointed to the authority or  
5 employee of the system from participation in, discussion of, or  
6 evaluation of any recommendation or decision involving  
7 procurement involving the water or sewer system that would  
8 reasonably be expected to create a conflict of interest for that  
9 person or employee.

10 Sec. 8. The authority is a public body for purposes of  
11 reporting violations or suspected violations of a law or  
12 regulation or rule promulgated under the law of this state, a  
13 political subdivision of this state, or the United States. A  
14 person reporting a violation or suspected violation under this  
15 section shall have all the protections provided under the  
16 whistleblowers' protection act, 1980 PA 469, MCL 15.361 to  
17 15.369.

18 Sec. 9. On or before February 1 of each year, the chief  
19 financial officer for a water or sewer system shall prepare and  
20 submit to each member of the system's authority a proposed budget  
21 for the next succeeding fiscal year covering its anticipated  
22 revenues and expenses of administration, operation, maintenance,  
23 and contract procurements.

24 Sec. 10. An authority shall establish policies and  
25 procedures for the contracting of services for the system. The  
26 policies and procedures shall provide for all of the following:

27 (a) The authority shall have the exclusive authority to

1 review and approve all contracts and contract renewals,  
2 extensions, and charge orders or appropriations in an amount  
3 greater than \$50,000.00, and such contracts or appropriations are  
4 void and unenforceable unless approved by the authority.

5 (b) The authority shall review and approve all contract  
6 overruns from the original contract amount for contracts approved  
7 under subdivision (a) and for contracts less than \$50,000.00 if  
8 the overrun causes the contract amount to exceed \$50,000.00.

9 (c) Except as otherwise provided by this act, a contract  
10 shall not be awarded by the system for the construction, repair,  
11 remodeling, or demolition of a water or sewer facility unless the  
12 contract is let pursuant to a procedure that requires competitive  
13 bidding. This subdivision does not apply if the authority  
14 determines that any of the following apply:

15 (i) The negotiated contract amount is less than \$50,000.00  
16 over the lifetime of the contract and any contract renewals or  
17 extensions.

18 (ii) The contract is for emergency repair or construction  
19 necessitated by a sudden, unforeseen occurrence or situation of a  
20 serious and urgent nature and is not for convenience or  
21 expediency. A contract under this subparagraph shall not be for  
22 a period greater than 1 year.

23 (iii) The repair or construction is necessary to ensure  
24 safety or to otherwise protect life or property. A contract  
25 under this subparagraph shall not be for a period greater than 1  
26 year.

27 (iv) That procurement by competitive bids is not practicable

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1 to efficiently and effectively meet the water and sewer system  
2 needs, or that another procurement method is in the public's best  
3 interests.

4 (d) The policies and procedures for hiring of professional  
5 service contractors.

6 Sec. 11. An authority shall establish policies and  
7 procedures for the review and approval of the rates and charges  
8 imposed or assessed by the water or sewer system.

9 Sec. 12. (1) A water or sewer system shall not charge a  
10 customer more than that allowed under the contract to provide  
11 services.

12 (2) A customer may file a complaint with the water or sewer  
13 system to recover any amounts allowed under this section.

14 (3) A complaint under subsection (2) shall be filed no later  
15 than 12 months from the date a payment was made as a result of a  
16 violation of this section.

17 (4) If a water or sewer system is found to have charged an  
18 amount in violation of this section, the system shall pay to or  
19 credit the account of the customer an amount equal to 10 times  
20 the overcharge or \$100.00, whichever is greater.

21 Sec. 13. If a qualified county, qualified city, or a local  
22 unit of government charges its customers a rate that generates an  
23 amount greater than the amount that the county, city, or local  
24 unit of government is required to pay under its contract with the  
25 water or sewer system, the county, city, or local unit of  
26 government shall annually itemize on the customer's bill the  
27 average additional charges.

[Sec. 14. A challenge to the validity of any provision of this act  
shall be filed with and decided by the court of appeals pursuant to  
section 10 of article VI of the state constitution of 1963.]