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BILL ANALYSIS

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Senate Bill 172 (as reported with amendment)
Sponsor: Senator James Barcia
Committee: Finance

Date Completed: 4-24-89

RATIONALE

Under the Metropolitan District Act any two or more cities, townships, or villages can form a metropolitan district or districts for the purpose of acquiring, operating, or maintaining parks or public utilities for supplying sewage disposal, drainage, water, or transportation. It has been pointed out that while the Act provides the procedures for forming a district, it does not contain any language to allow local units that are part of a district to dissolve the district. Reportedly, two townships that formed the Bangor-Monitor Metropolitan District in 1949 to supply water to township residents would like to end their agreement. The District originally purchased water from the Saginaw-Midland Water Authority, but has in recent years purchased water from the Bay County Department of Water and Sewer. Because the residents of Bangor Township and Monitor Township served by the District could purchase water directly from the Bay County Department of Water and Sewer there is no longer a need for the continued existence of the District. It has been suggested that the Act be amended to allow for the dissolution of a district by the local units that comprise the district.

CONTENT

The bill would amend the Metropolitan District Act to allow a metropolitan district formed under the Act to dissolve, by resolution of the district's legislative body.

Prior to dissolving a metropolitan district the district's legislative body would have to do the following:

- Provide written notice to the legislative body of each local unit in the district of the district's intent to dissolve.
- Prepare a financial report of the assets and liabilities of the district. The report would have to include an accounting of all money held by the district, a description of all the district's obligations, an appraisal or inventory of all the district's assets, and a description of any encumbrances on the assets. A copy of the report would have to be provided to the legislative body of each local unit in the district.

If the financial report indicated that the assets of the district were greater than liabilities, the district's legislative body would have to prepare a plan for the disposition of the assets and liabilities. The plan could include the disposal of assets in a manner the district's legislative body considered prudent to settle liabilities, and could include the transfer of an asset or an assumable liability to any person, local unit, or other public authority. The plan would have to provide for the proportional distribution of assets remaining after all liabilities to each of the local units in the district had been satisfied. The legislative body of each local unit in the district would have to pass a resolution agreeing to the dissolution of a district and a plan for dissolution.

If the assets of a district were insufficient to meet existing liabilities, the district's legislative body would be required either: to raise taxes to cover the liabilities, or, to enter into a

written agreement with the legislative body of each local unit in the district, in which each local unit agreed to assume a proportionate share of the district's liabilities. (Under the Act a district can levy one-half of 1% of the assessed value of all property in the district.)

Upon dissolution of a district the district's legislative body would have to deposit all records with the clerk of the county in which the district was located, or, if the district were located in more than one county, with the clerk of the county in which the largest part of the district was located. The district's legislative body would be required to notify the Governor, in writing, of the dissolution.

MCL 119.1 et al.

FISCAL IMPACT

The bill would have no revenue impact on State or local government. The bill would, however, lead to a minor increase in State expenditures. The additional requirements to dissolve a metropolitan district would increase local government expenditures and may require State reimbursement under Section 29, Article IX of the Michigan Constitution.

ARGUMENTS

Supporting Argument

While the Act allows local units to combine their resources to form a district for the purposes allowed under the Act, it does not provide for the disbanding of a district once the district has served its purpose or circumstances have changed so as to cause the district to be obsolete. The bill would simply provide a way for the local units in a district to dissolve the district and distribute the district's liabilities and assets in an equitable manner.

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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.