

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3389-06
Bill No.: HCS for SCS for SB 646
Subject: Sewers and Sewer Districts
Type: Original
Date: April 28, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of State Court Administrator** assume no fiscal impact on the Courts.

Officials of **Kansas City** and **Platte City** responded to a similar fiscal note request (# 1640-06, SB 468) of last session, that there would be no fiscal impact to their cities.

SECTION 644.587, 644.588, 644.589

According to officials from the **Department of Natural Resources (DNR)**, this proposal authorizes the sale of \$40 million in Water Pollution and Stormwater Control Bonds to be used as noted:

*Provide funding to continue the state's 40% State Construction Grants Program for those economically disadvantaged communities that do not qualify for the SRF loan program.

*Provide funding to continue the rural water and sewer grant program and the storm water grant program.

*Initiate loan programs under the rural water and sewer grant and storm water grant programs.

ASSUMPTION (continued)

Bonds are sold on as-needed basis. Bond sales lag authorization by approximately 3 years.

Money is approved for \$10 million to be spent as follows:

\$7 Million for the 40% State Construction Grant Program
\$3 Million for the Rural Water and Sewer grants

Money is approved for \$10 Million to be spent as follows:

\$5 Million for Rural Water grants and loans
\$5 Million for Rural Sewer grants and loans

Money is approved for \$20 Million to be spent as follows:

\$10 Million for stormwater grants
\$10 Million for stormwater loans

Officials of the **Department of Natural Resources** assume no fiscal impact.

Oversight assumes this proposal is permissive, and would have no fiscal impact without action by the landowners affected and the governing body. **Oversight** assumes this proposal as written, does not mandate any new duties or expenditure of funds for political subdivisions, therefore, **Oversight** assumes no state or local fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2007	FY 2008	FY 2009
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2007	FY 2008	FY 2009
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

The proposed legislation allows landowners to form their own sewer districts. Currently, County Commissions are primarily responsible for sewer districts, this act would enable landowners who form or convert their sewer district into a reorganized common sewer district to exert more control over the district. While the county commissions are still involved, the responsibility is shifted in order to give more active participation from the landowners within the district.

SECTION 204.600: Allows any sewer district organized and existing under current law to convert to a reorganized common sewer district. Further, the act allows for the establishment of a reorganized common sewer district. Once such a district has been established, it shall enjoy all powers and authority provided for common sewer districts.

SECTION 204.602: Details the procedural guidelines for the formation of a new reorganized common sewer district and directs that any such petition be accompanied by a deposit as well as at least fifty signatures from voters and/or property owners living within the proposed district. The petition shall be filed with both the county commission and the Circuit Court. If the County Commission rejects the petition, no further action on the proposed district shall be taken before the commission or the court. Upon filing the petition with the court, a date for hearing of the petition will be set. Public notice of such a petition shall be given in a newspaper of general circulation in the county in which the proceedings and the date of those proceedings are being held. The notice shall then be signed by the clerk of the circuit court and published in three successive issues of a weekly newspaper once a week for three consecutive weeks.

Exceptions to the proposed district can be made by any voter or property owner living within the proposed district, provided those exceptions are filed no less than five days prior to the petition's hearing date. Procedural guidelines for exceptions are also laid out in the act.

The court has authority to find in favor of or against the formation. If the decision is affirmative, the court shall then appoint five voters from the district to constitute the first board of trustees for the district. The decree of incorporation shall not become final until it has been submitted to the voters living within the proposed district, decided by a majority of those voters, and ultimately declared incorporated by the court.

Once a reorganized sewer district has been incorporated, the boundaries of such district may be extended from time to time provided the initiative comes from the board of trustees and/or the voters living within the district. Procedural guidelines are laid out in this act for such an extension.

The board of trustees may petition the court to allow the district to engage in the construction,

DESCRIPTION (continued)

maintenance and operation of water supply and distribution facilities.

SECTION 204.604: Details the procedural guidelines for the conversion of an existing sewer district into a new reorganized common sewer district, as well as public notice requirements and exceptions to the proposed conversion. The act directs any organized common sewer district that wants to reorganize to first petition the County Commission in which it was organized for that right.

SECTION 204.606: Clarifies that any conversion shall not affect the bonded indebtedness or security interest of any creditor of any existing common sewer district, and that all covenants and obligations shall remain in full force and effect.

SECTION 204.608: After a decree of incorporation has been issued, the reorganized common sewer district is considered in law to be a body corporate subject to all the advantages and disadvantages included therein. A reorganized common sewer district, under this act, shall have exclusive jurisdiction and authority to provide wastewater collection and treatment services within the boundaries of the district, except for sewer corporations providing service under a certificate of convenience and necessity granted by the Public Service Commission.

SECTION 204.610: Details the powers, compensation, terms, and membership of the board of trustees.

SECTION 204.612: The board shall have no power to levy or collect taxes in order to pay general obligation bonds unless such is approved by the voters of the district at an election.

SECTION 204.614: Details the issuance of general obligation bonds from the reorganized common sewer district.

SECTION 204.616: The board of trustees shall have the power to pass all necessary rules for the reorganized common sewer district. Such rules and regulations shall be enforceable by civil or administrative actions.

SECTION 204.618: Authorizes the board to make the plans for any construction, acquisition of land, rights-of-ways, or otherwise for the district. The power of the board to contract and/or enter into agreements is detailed in the act, as are the powers available to the board once agreements are made.

SECTION 204.620: The powers of the board with regard to purchasing, leasing or renting

DESCRIPTION (continued)

property as well as the power to enter private land for surveying purposes are detailed in this section.

SECTION 204.622: The board shall have the authority to enter into contracts for the districts, with regard to both construction projects and professional services.

SECTION 204.624: Outlines out the sources of payments for obligations entered into by the board with regard to acquiring, constructing, improving, or extending a sewer system.

SECTION 204.626: Details the issuance of revenue bonds for the reorganized common sewer district.

SECTION 204.628: Details the collection of fees and charges by the reorganized common sewer districts.

SECTION 204.630: It shall be the mandatory duty of any reorganized common sewer district to collect sufficient revenues in order to maintain the operation of the district. The rates of the district shall be revised from time to time to meet the requirements set forth in the act.

SECTION 204.632: Net revenue for the reorganized common sewer district is detailed in this section.

SECTION 204.634: The board has authority to establish various accounts by resolution.

SECTION 204.636: The board has the authority to refund bonds.

SECTION 204.638: The board may apply for and accept grants, funds, materials or labor from the state and/or federal government for the construction of a sewerage system.

SECTION 204.640: The responsibility to render all services necessary to carry out the provisions of the act lies with local government officials.

SECTIONS 204.650 - 204.672: These sections establish the Sanitary Sewer Improvement Area Act. These sections provide the opportunity to any sewer district to make improvements upon a property within a sanitary sewer improvement area and allows for the issuance of temporary notes and revenue bonds to pay for such a project. The details of how such an area is established, approved, and assessed are laid out in the act, as are the public notice and hearing requirements involved in that process. The act also allows for any sewer district to enter into a cooperative

DESCRIPTION (continued)

agreement with a city or county to construct improvements to the sanitary sewer system pursuant to the Neighborhood Improvement District Act, section 67.453 to 67.475 RSMo.

SECTION 204.674: Excludes sewer service provided by agreement for Butler County, St. Louis city, St. Louis county, any sewer district created and organized under constitutional authority, sewer districts providing wholesale sewer services in Jackson county, or any sewer district in Boone county from the provisions in this act.

SECTION 249.422: The governing body of any county, city, town, or village may, by order or ordinance, determine that all unencumbered funds held in the special account used for the purpose of paying for all or a portion of the costs reasonably associated with and necessary to administer and carry out defective lateral sewer service line repairs shall be declared to be surplus funds on an annual basis. The order or ordinance shall not become effective unless the governing body of the county, city, town, or village submits to the voters residing within the county, city, town, or village a proposal to authorize the governing body of the county, city, town, or village to determine such unencumbered funds in the special account to be surplus funds on an annual basis.

SECTION 644.587, 644.588, 644.589: This portion of the proposal would authorize the Board of Fund Commissioners to issue additional bonds for grants and loans pursuant to several sections of Article III of the Missouri Constitution. The authorizations are for:

- (1) \$10 million of bonds for waste water pollution control, drinking water system improvements, and storm water control pursuant to Section 37(e);
- (2) \$10 million of bonds for rural water and sewer projects pursuant to Section 37(g); and
- (3) \$20 million of bonds for storm water control plans, studies, and projects in first classification counties and the City of St. Louis pursuant to Section 37(h).

The proposal contains an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

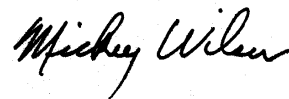
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SOURCES OF INFORMATION

Department of Natural Resources
Office of State Court Administrator
Cities
 Kansas City
 Platte City

NOT RESPONDING

Oversight sent response request to Sewer Districts on their response list, and to the County Commissions of Franklin, Jefferson, Cass, Clay, St. Charles and many other counties.



Mickey Wilson, CPA
Director
April 28, 2006