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TO: Detroit City Council

FROM: David Whitaker, Director
Legislative Policy Division 

DATE: February 4, 2026

RE: Public Lighting Authority-Fiscal Expert Requirements

The Legislative Policy Division (LPD) has been requested by Council Member Scott Benson to provide a report regarding the Public Lighting Authority's board of directors. The request is regarding the provision of the Municipal Lighting Authority Act (MLA), MCL 123.1261 et seq., that requires a board member who is a certified Public Accountant licensed under Article 7 of the occupational Code 1980 PA 299 or shall qualify as "a financial expert" as defined under the Sarbanes-Oxley Act of 2002. In particular, the request relates to the statutory requirements for a "financial expert" and what qualification should City Council look for including financial credentials and experience that satisfies the skill set mandated.

The qualifications required to sit on the Public Lighting Authority Board of Directors are set forth in the MLA. The MLA indicates how the five board members are to be selected. MCL 123.1273, provides in pertinent part:

(2) The board shall be appointed as follows:

- (a) Two members who are residents of the local government appointed by the chief executive officer of the local government for a term of service of 3 years, except that for the first appointments to the board, 1 of the members shall be appointed for a term of service of 4 years. If the chief executive officer of the local government fails to make an appointment with the board of directors within 42 days after the

authority is created or fails to fill a vacancy on the authority within 70 days of the vacancy occurring, then the governing body of the local government has the power to make the appointment.

- (b) Two members who are residents of the local government appointed by the governing body of the local government for a term of service of 3 years, except that for the first appointments to the board, 1 of the members shall be appointed for a term of service of 4 years. If the governing body of the local government fails to make an appointment to the board of directors within 42 days after the authority is created or fails to fill a vacancy on the authority within 70 days of the vacancy occurring, then the chief executive officer of the local government has the power to make the appointment.
 - (c) One member who is a resident of the local government appointed by the governing body of the local government, from a list of 3 names provided by the chief executive officer of the local government, for a term of service of 3 years.
- (4) At least 1 board member appointed to an authority board shall be a professional engineer licensed under article 20 of the occupational code, 1980 PA 299, MCL 339.2001 to 339.2014.
 - (5) At least 1 board member appointed to an authority board shall be a certified public accountant who is licensed as a certified public accountant under article 7 of the occupational code, 1980 PA 299, MCL 339.720 to 339.736, or shall qualify as a financial expert as that term is defined by rule by the United States securities and exchange commission pursuant to section 407 of the Sarbanes-Oxley act of 2002, Public Law 107-204.
 - (6) At least 1 board member appointed to an authority board shall be an attorney licensed to practice in this state.

Regarding Subsection (2)(c), the board member selected must be a resident of the city of Detroit and is selected from a list of three candidates that are submitted by the Mayor. The three candidates should be interviewed by City Council to make the determination of which individual from the list is selected to fulfill this position.

Regarding subsection (5), and the certified public accountant, the MLA mandates the individual to be licensed pursuant to Article 7 of the occupational code or a financial expert as defined by the Sarbanes-Oxley Act. Under the occupational code MCL,339.725 provides the requirements to be licensed as a certified public accountant, and provides in pertinent part:

339.725 Issuance of certificate as certified public accountant; requirements; examination; qualifying experience.

- (1) The department shall issue a certificate as a certified public accountant to an individual who meets all of the following requirements:
 - (a) Is of good moral character.
 - (b) Has complied with the education requirements of subsection (2).
 - (c) Has passed an examination meeting the requirements of subsection (3).
 - (d) Has complied with the experience requirements of subsection (4).

- (e) Has completed at least 150 semester hours of college education, including a baccalaureate degree or higher degree with a concentration in accounting, at an educational institution approved by the board.
- (2) An individual who has completed a curriculum required for a baccalaureate degree with a concentration in accounting at an educational institution approved by the board may sit for the examination required under subsection (3).
- (3) An applicant for a certificate as a certified public accountant shall pass an examination in accounting, auditing, and other related subjects, acceptable to the department and the board, that is given reciprocal status in the plurality of states as compared to other examinations.

An individual who meets the requirements under subsection (1) and is eligible to sit for the exam under subsection (2) and passes the exam set forth under subsection (3), may obtain the certification of certified public accountant. That individual would be eligible under the MLA to sit on the board of directors for the Public Lighting Authority. The MLA also provides that an individual who is not a certified public accountant may sit on the Public Lighting Authority board of directors if they meet the definition of a financial expert set forth under Sarbanes-Oxley.

The Sarbanes-Oxley Act, Section 407 provides the requirements to be considered a financial expert.

Sarbanes Oxley Act of 2002, Section 407

(b) CONSIDERATIONS. In the term “financial expert” for purposes of subsection (a)¹, the Commission shall consider whether a person has, through education and experience as a public accountant or auditor or a principal financial officer, comptroller, or principal accounting officer of an issuer, or from a position involving the performance of similar functions:

- (1) an understanding of generally accepted accounting principles and financial statements;
- (2) experience in:
 - (A) the preparation or auditing of financial statements of generally comparable issuers; and
 - (B) the application of such principles in connection with the accounting for estimates, accruals, and reserves;
- (3) experience with internal accounting controls; and
- (4) an understanding of audit committee functions.

Pursuant to the Sarbanes-Oxley Act, for an individual candidate for the Public Lighting Commission board of directors to qualify as an financial expert, the individual must show: (1) they are able to understand the general accepted accounting principles and financial statements; (2) have experience in preparing auditing financial statements and the application of the principles in connection with the accounting for estimate, accruals and reserves; (3) have experience with internal accounting controls; and (4) have an understanding of audit committee functions.

¹ Sarbanes-Oxley Section 407(a) (a) RULES DEFINING “FINANCIAL EXPERT”.—The Commission shall issue rules, as necessary or appropriate in the public interest and consistent with the protection of investors, to require each issuer, together with periodic reports required pursuant to sections 13(a) and 15(d) of the Securities Exchange Act of 1934, to disclose whether or not, and if not, the reasons therefor, the audit committee of that issuer is comprised of at least 1 member who is a financial expert, as such term is defined by the Commission.

For a candidate that is not a Certified Public Accountant, LPD believes that City Council can make a determination of a candidates financial expertise during the interview process by inquiring whether the candidate has obtained a degree in finance or accounting and can demonstrate they have the work experience to meet the requisite levels expressed in Sarbanes-Oxley.