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Intergovernmental Cooperation: A
Position Paper from the Michigan
Government Finance Officers Association

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Background

The Michigan Government Finance Officers Association (MGFOA) continues to be supportive of Inter-Governmental Cooperation (IGC)¹ endeavors. A substantial number of MGFOA members already participate in IGC arrangements, and two MGFOA standing committees – Legislative and Inter-Governmental Cooperation – have focused much of their time and effort on fostering IGC. The MGFOA recognizes that:

- Health, education, public safety, economic development, and infrastructure are critical to the economic vitality of a region. Multiple levels of government necessarily need to work cooperatively together to accomplish this.
- The State can play a key role in promoting cooperation among those levels of government.
- IGC is an effective tool for maintaining fiscal soundness and being responsible to all constituencies.
- IGC can be a more cost effective means of maintaining or improving the quality of service than the traditional single-entity model.
- A significant number of IGC endeavors are operating now, and have been for quite some time.²
- A significant number of *additional* IGC endeavors are possible.
- Legislative opportunities ought to be pursued that strengthen, enhance, and open channels to IGC.
- The changing revenue options and demographic composition of the work force for local governments necessitate a new approach to funding and delivery of public services. Plans, projections, and commitments made under prior law and economic conditions are no longer a valid roadmap, thus IGC will be necessary to help maintain financial viability and service delivery levels and quality.
- A barrier to implementation of IGC endeavors is resistance from key stakeholder groups, particularly unions and misinformed citizens.

Therefore, the MGFOA has prepared this position paper to offer recommendations to the Governor and the Legislature on how best to foster IGC across Michigan.

Inter-Governmental Cooperation and Revenue Sharing

The Governor's proposed IGC revenue sharing incentive is an appropriate part of a multi-faceted approach to fostering IGC. The next steps to take in designing our State's "IGC Incentive Plan" would be:

¹ - Including all public sector entities.

² - See the *Centers For Regional Excellence* website at: <http://www.michigan.gov/cre>

- ✚ *Reward cities, villages and townships (CVTs) participating in IGC endeavors.* It is recommended that CVTs with *existing*, on-going IGC endeavors as of the start of the 2008 FY be rewarded for having recognized the benefits of pursuing them early on³. Thus, the only CVTs that would be excluded from sharing the funds would be those who have never undertaken IGC. This, then, would truly be an incentive for those CVTs to pursue IGC in the *future* (assuming IGC Incentive Plan funding continues to be allocated each year).
- ✚ *Increase the amount of funding in future years for the State's IGC Incentive Plan.* This would draw greater attention to the need for IGC endeavors at the local level. CVTs with *existing* IGC endeavors would need to pursue *new* ones to be eligible for the additional incentives.
- ✚ *Include counties in future years.* Since counties are often in an ideal position to offer to, or participate with, CVTs in collaborative service endeavors, any additional funding added to the State's IGC Incentive Plan should be made equally available to counties.
- ✚ *Focus on cooperation, not cost savings, in the short-run.* Cost savings from IGC often take years to realize. Therefore, allocation decisions relating to *newer* IGC endeavors should be based on demonstrated cooperation more so than realized cost savings.
- ✚ *Form a Michigan Commission on Intergovernmental Cooperation (see Administration discussion below).* The MCIC would consist of experienced individuals who would foster IGC in a variety of ways, and would make the allocation decisions for the IGC-earmarked revenue sharing dollars.
- ✚ *Establish IGC grants.* Such grants would be used for two purposes: to offset start-up costs of *implemented* IGC endeavors, and to pay for consulting studies to evaluate the feasibility of *proposed* IGC endeavors. In both cases, the grants would require a formal application and be open to *all* CVTs and counties. The MCIC (see Administration discussion below) would prioritize and select which projects to fund.
- ✚ *Consider allocating regional economic development funds.* The purpose here is to foster coordinated economic development efforts over a region, as opposed to those expended by *individual* CVTs. Such *regional* efforts would benefit broader, yet inter-related constituencies. The MCIC may be able to play a role in coordination of such efforts and the allocation of the funding.
- ✚ *Consider a tax credit to parcel owners within the boundaries of IGC initiatives.* As cost savings are realized through IGC, tax revenues can be

³ - Criteria to consider when distributing the State's IGC Incentives may include: monies saved (or expected to be saved) as a result of the IGC endeavor; population benefiting from the IGC endeavor; scope (services affected) of the IGC endeavor; improvement in service quality and uniformity across the region affected by the IGC endeavor; ease with which other CVTs and counties could join the IGC endeavor; number of CVTs, counties, and other community organizations (e.g., chamber of commerce, not-for-profits, banks, major employers, etc.) involved in the IGC endeavor; and enhancements to / improved compliance with revenue collections resulting from the IGC endeavor.

reduced. As opposed to decreasing millage rates, which would be difficult to reverse if unforeseen events were to occur, the State should consider offering tax credits to parcel owners proportional to the savings level. The CVTs would reimburse the State for some percentage of the total credits. The CVTs would, however, retain the right to request that the State withhold or reduce the tax credit in a given year with appropriate justification. A sunset date on the credits would be set and millage rates would eventually have to be reduced.

- ✚ *Consider an Awards Program to recognize Best of Breed IGC endeavors.* This would garner positive PR, recognize and encourage governments who demonstrate excellence in IGC, and publicize benchmarks that other governments could model their endeavors after. The MCIC would be able to administer such a program. Also, consider including a financial component to the awards.

Fostering Inter-Governmental Cooperation

Beyond financial incentives, the key to fostering IGC across Michigan is legislation, administration, and education (including promotion).

Legislation

There are numerous legislative acts on the books that support IGC⁴, yet more can be done. Enhancing existing laws, as well supporting new legislation that better reflects current times and trends, is crucial. The following should be pursued:

- ✚ The creation of new collaborative authorities is bound by existing labor agreements and the hold harmless clause of the Urban Cooperation Act, which guarantees that employees of the collaborating entities receive comparable positions, seniority levels, and pay and benefits matching the highest levels among the participating CVTs. This effectively reduces the financial benefits of pursuing IGC, which is particularly troublesome when one or more of the participating CVTs is already facing serious financial difficulties. Although currently pending legislation is designed to address this to some degree, consider requiring labor agreements within defined regions to expire concurrently. This would give the CVTs considering IGC endeavors an opportunity to jointly re-negotiate. Alternatively, require bargaining units representing employees of the participating CVTs to jointly negotiate at the same time.
- ✚ PA 312 must be flexible and prompt enough to support the objectives of local governments pursuing IGC, the two primary objectives being service

⁴ - See "Making Joint Public Services Work in the 21st Century: Michigan's Legal Tools for Cooperative Arrangements" at <http://www.semco.org/cgi-bin/products/publications.cfm> and the "Public Policy Brief" at http://web1.msue.msu.edu/slg/materials/ppb_-_consitutional_and_leg_provisions.pdf

- quality/uniformity and cost effectiveness. Regarding the latter, public safety is the largest cost center for all CVTs and counties and thus ought to be a primary focus of IGC endeavors.
- ✚ Consider legislation that fosters *regional* economic development efforts. Incentives to do so should be considered. The MCIC may be able to play a role in the coordination of such efforts and the allocation of State incentive funding.
 - ✚ Consider legislation that fosters rolling up certain services to the County level, such as assessing, public safety dispatch, delinquent tax collections, purchasing, various IT services using the Application Service Provider model, etc.
 - ✚ Consider legislation that fosters healthcare, life, and disability insurance pooling, District Court consolidation, regional prisoner holding cells, and energy purchasing and coordination.
 - ✚ Consider legislation that encourages CVTs and counties to perform cost benefit analyses on their pension and retiree health care systems (taking into consideration administrative and investment costs, investment rates of return, etc.) and, depending on the results, consider joining cooperatives to realize economies of scale.
 - ✚ Consider legislation that allows CVTs and/or counties to work together and jointly issue OPEB bonds to fund actuarial liabilities for pensions and retiree healthcare.

Administration

Traditionally, the instigation of IGC endeavors has been solely dependent on the vision and drive of local leaders, who all go through the same learning steps and take the same missteps. Too often, the communities who would most benefit from IGC do not recognize the opportunities that exist, or choose not to pursue them due to lack of resources. To foster IGC more broadly and proactively, a *centralized* (State-level) approach, with sufficient administrative support funding, should be taken that *supports* the traditional *local* nature of IGC. The first step in doing so would be the formation of a Michigan Commission on Intergovernmental Cooperation (MCIC).

The MCIC would have the following functions and duties:

- ✚ To serve as an advisory agency to the legislature and the Governor's Office.
- ✚ To serve as a forum for the discussion and resolution of IGC issues.
- ✚ To consider ways and means of fostering better relations among and between local governments and the State government.
- ✚ To encourage and coordinate studies relating to IGC that would be conducted by universities, other (local, state, and federal) agencies, and research / consulting organizations.

- ✚ To recommend to the legislature the repeal, update, or promulgation of laws regarding IGC.
- ✚ To issue periodic reports of MCIC findings and recommendations to each house of the legislature and the Governor's Office.
- ✚ To identify and apply for grant funds that could be used to foster IGC in Michigan.

To accomplish the above, the MCIC would take the following tactical course:

- ✚ Administer the State's IGC Incentive Plan (see description of Plan above).
- ✚ Form IGC Advisory Teams that would, as a neutral third-party, personally assist CVTs with their IGC initiatives. An Advisory Team would likely consist of three to five experienced individuals selected from the general geographic area as the organizations pursuing the IGC endeavor. The Team would:
 - Attend all meetings between the local participating CVTs to provide tangible support when needed and advise them on avoiding pitfalls, where to access information / templates to expedite their IGC efforts, how to organize and address stakeholder issues to achieve buy-in, how to prepare a business case and return on investment (ROI) analysis, etc.
 - Channel grant funds, as available
 - Provide access to relevant information sources, consultants, etc.
 - Periodically report to the MCIC Board
 - Be disbanded once the IGC initiative is launched.
- ✚ Identify various groups currently supporting IGC around the State. Coordinate their efforts, refocusing them on complementary tasks. Thus, the MCIC would be the hub of the IGC wheel that leverages resources of specialized groups (e.g., MGFOA, SEMCOG, MITN, MML, MAC, MSU, WSU, MSA, CRC, CRE, etc.), representatives of which may be excellent candidates to hold positions on the MCIC Board.
- ✚ Create a financial assessment tool that local governments would use to compare their performance to specific benchmarks. Based on these evaluations, the MCIC would make recommendations concerning how local governments could pursue IGC – or other appropriate goals – to help address fiscal concerns.
- ✚ Support an analysis of the impact that the Intergovernmental Transfer of Responsibilities Act and local issues have had on IGC endeavors.
- ✚ Develop a website with information promoting IGC endeavors, including:
 - An on-line database of IGC resources, case studies, templates, etc., that local governments could access. The web site would allow CVTs, counties, and other entities to enter their own case studies, post articles, etc., on-line in real-time.
 - Links to other complementary websites fostering IGC, and those sites would have a link to the MCIC site which would serve as the hub of the information wheel.

- Allowing CVTs and counties to post on-line what their IGC *goals* are and any specific endeavors they would *like* to pursue. This information would be readable on-line by *other* CVTs and counties, who could respond with their interest to work together.
- ✚ Prepare templates for recommended interlocal agreements, service level agreements, board/council resolutions, return on investment analysis spreadsheets, business case models, etc.
- ✚ Sponsor IGC seminars, conferences, and other information dissemination undertakings throughout the State that focus primarily on service areas which consume a significant percentage of local government budgets.
- ✚ Establish and promote quality of service benchmarks to be used in IGC feasibility studies and to promote the use of performance management / measurement techniques.
- ✚ Recommend appropriate governance structures for the various types of IGC entities.
- ✚ Administer a purchasing cooperative, particularly for assets required by the various types of IGC entities.
- ✚ Oversee an Awards Program to recognize Best of Breed IGC endeavors.

The MCIC Board should consist of elected and appointed local governmental officials, as well as state officials from the executive and legislative branch. Representation from the key stakeholder groups should also be included, e.g., unions or other employee groups; citizen and private sector advocacy groups; schools and colleges.

Education and Promotion

The How's and Why's of IGC are too often only vaguely understood by stakeholders. To bolster cooperation, several promotional and educational steps should be taken. The MCIC (see above) would be in the ideal position to oversee the following:

- ✚ Seminars and conferences promoting IGC.
- ✚ Educational tools and classes on how to conduct feasibility studies and set up IGC endeavors.
- ✚ Focus educational efforts on the different stakeholder groups to overcome resistance to IGC.
- ✚ Provide a speaker list and seek speaking opportunities at professional association conferences, Board/Council meetings, etc.
- ✚ Prepare and distribute publications on IGC using a media and professional association contact database.
- ✚ Regular (e.g., quarterly) forums in predefined regions around the state to allow stakeholders an opportunity to network and discuss IGC opportunities with their respective organizations.

Realistic Expectations

Michigan's local governments currently engage in a substantial degree of cooperation. Indeed, it is the rare entity which is not party to at least one intergovernmental arrangement. While the MGFOA encourages counties and CVTs to actively pursue new IGC endeavors, caution against unrealistic expectations of dramatic and immediate savings is advised. Greater cost efficiencies can and will be achieved through intergovernmental cooperation, however all stakeholders need to understand that implementing such arrangements are difficult and take a good deal of time.

Additional Resources

For a discussion of what IGC is all about, see the white papers on IGC posted at <http://www.migfoa.org/>. Further, the following sources also provide excellent information:

- ✚ MSU's white paper entitled, "Joint Public Ventures Cost Allocation: Alternatives and Consequences," explains the ins and outs of funding IGC endeavors (<http://www.aec.msu.edu/agecon/government/index.htm>).
- ✚ SEMCOGs "Making Joint Public Services Work in the 21st Century/Financing Joint Public Ventures: Alternatives and Consequences" and "Award Winning Joint Projects" (<http://www.semco.org/cgi-bin/products/publications.cfm>).
- ✚ The Citizens Research Council's study on local government services (<http://www.crcmich.org/PUBLICAT/2000s/2005/catalog.html>).
- ✚ The Centers For Regional Excellence "resource toolbox" (<http://www.mshda.info/cre/tools/>).
- ✚ The Michigan Suburbs Alliance's (<http://www.michigansuburbsalliance.org/resources/reports/#joint>) reports and white papers on IGC, including an excellent paper on revenue sharing (http://www.suburbsalliance.org/news_and_events/publications/IntheRing.php).
- ✚ Oakland County's study illustrating the numerous services it collaborates on with its CVTs (http://www.oakgov.com/services_index/government/cvt_services_reports.html).