

## **Regional Cooperation, a Solution For Long Term Fiscal Stability**

### ***Executive Summary***

The 21<sup>st</sup> Century finds state and local governments in America struggling to meet the needs of the American people. Local and state governments' capacities to create opportunities for, and support, their residents are undermined by systemic, structural, and cyclical changes. Systemic changes in the global economy, structural imbalance in annual budgets and in the funding stream that flow (or do not flow) between levels of government, and cyclical changes in economic conditions like those experienced from 2001-2004.[1]

Local government officials face numerous and difficult challenges in the coming years. Demand for services will increase, for example, in such areas as police protection and environmental services. To help address these challenges, local governments must join together to provide coordinated services to citizens.[2]

In Michigan, as in most states, the legal basis for cooperation and joint action is in place. Numerous Public acts allow local governments to engage in cooperative efforts.[2]

Many governments utilize cooperative service delivery approaches, since few statutory barriers exist to changing the way governmental services are delivered.[2]

Cooperative service delivery efforts must be based on trust, openness, and a commitment to work jointly to solve common problems. Trust among local government officials will be critical, and must be built on a solid foundation of cooperation which is seen as mutually beneficial.[2]

Proposals for collaboration must address costs and benefits as specifically as possible or they are doomed to failure.[2]

The evidence across the country suggests that there are financial savings and service improvements to be gained from cooperation in some areas, but care must be taken to in analyzing costs and benefits before decisions are made.

The first step in the process of exploring opportunities for cooperation is a commitment by local officials to meet on a regular and formal basis. Local officials must be willing to embark on a long term effort to improve cooperation across jurisdictional boundaries, to explore common problems facing communities throughout Washtenaw County, to be creative and innovative in identifying solutions to these problems, and to take the political risks associated with doing things differently.[2]

Many of the most vexing problems confronting local governments are those which cut across jurisdictional boundaries. Area wide problems are sometimes easily addressed through cooperative efforts.

Michigan is at a crossroad. The state is facing complex social and economic challenges, including a budget crisis that is felt by every community across the state.[3]

Areas to consider for intergovernmental cooperation are:

- a. Police
- b. Parks and Recreation
- c. Fire
- d. Garbage collection (Solid Waste).Recycling
- e. Economic/Community Development
- f. Planning and Zoning
- g. Building Permitting and Inspection
- h. Ordinance Enforcement
- i. Clerk
- j. Assessor
- k. Payroll/Personnel
- l. Legal
- m. Information Technology (IT)

## ***Introduction***

The Ypsilanti City Council created the Blue Ribbon Finance Committee on City Finances (BRCCF) in a resolution passed February 14, 2004. The committee is to provide council with recommendations to address the financial challenges facing the City. In an Interim Report submitted to the city council on June 15, 2004, the committee suggested as an item for additional study “Initiate a long term effort to explore feasibility, opportunities and challenges of consolidating governments among neighboring communities.” A sub-committee was created to research the issue and this report is the result of that exploration.

First let us define some terms. Regionalization is defined as efforts to look beyond our city boundaries for partners to work together with to provide services in our city. The example often cited is the partnership with Eastern Michigan University and the city to combine their purchases of road salt to realize a larger discount with a combined order.

Consolidation is defined as the merger of one or more governmental entities into a new single entity. For example the often discussed merger of the City of Ypsilanti and Ypsilanti Township would be a consolidation.

The regionalization sub-committee did not look at any revenue enhancements or tax increases. Our focus was on ideas and solutions that could be adopted given the current

financial state and constraints. The approach taken was to explore ideas to improve service and reduce cost while staying within the current budget.

## **Research**

The reason that the sub-committee did research was to learn what work has already been done up to this point. Why reinvent the wheel? This effort, which took the better part of four months, gave the committee the opportunity to discuss what had already been done and share that information among members. The volume of information was immense and would easily fill a 10-inch thick binder. But rather than repeat what has already been reported, the committee will highlight specific information or recommendation for the reader and then refer the reader to the original documents.

The first document that anyone should read is the recommendations in “Intergovernmental Cooperation in Service Delivery: An Analysis of the Greater Ypsilanti Area” commissioned by the Ypsilanti Area Chamber of Commerce. The report looked at intergovernmental cooperation of four units of government; the City of Ypsilanti, Ypsilanti Township, Superior Township, and Pittsfield Township. In that report completed in 1994 it made several recommendations including:

1. Combining Parks and Recreation of all four units of government
2. Combining the fire departments of the City and Ypsilanti township
3. Joint across contracting for garbage collection and recycling all four units
4. Working with the Washtenaw Development Council, all four communities should explore a joint operating agreement for economic development
5. Contracting arrangement for specialized building inspection among all four communities

One of the most important recommendations from this report was education. The authors understood the importance of education to help people in the area understand what and how services are provided and financed, and whether there are other approaches that might be used to meet service demands in a more efficient and effective fashion.[2]

This point cannot be over emphasized. People want to know why cooperation is important and how it will impact their taxes and services. It is important for our elected officials and staff to undertake a sustained education and communication process with not only city residents by residents in all parts of the county. The purpose of this outreach effort it to explain the costs and benefits of regional cooperation. Without an understanding of the cost and benefits savings, the process will be likely be doomed to territorial bickering and rumor mills of increasing taxes and lost control by the residents.

The sub-committee also reviewed a number of other documents including reports from the Brookings Institute, EMU, SEMCOG and others.

After performing a review of the written materials the sub-committee began looking at other reports and recommendations for communities across the country. What should be abundantly obvious is that Ypsilanti is not alone in the struggle to keep up with the demand for services while facing seemingly endless budget cuts.

We also wanted to look at models for cooperation. Were there success stories or failures and how could we learn from them?

One report that was intriguing was from the Brookings Institute, "Beyond Merger, A competitive Vision for the Regional City of Louisville, 2002". This report should be read by anyone considering the topic of regionalization. It demonstrates that trust can be established among differing entities and that the results of a significant regionalization effort created the 16<sup>th</sup> largest city in the U.S. while still maintaining a high level of quality of life and local control of important service like police and fire.

### ***Findings***

The financial challenges facing the city of Ypsilanti are immense. Continued reductions of funding from Lansing and ever increasing costs for medical expenses, liability insurance, retirement costs, and the continued deferment of critical capital improvements and equipment maintenance and repairs all add up to one inescapable conclusion, the City of Ypsilanti cannot continue on the current course, without significant cut backs in services, and stay out of receivership.

The challenges facing the city are not unlike those challenges a company that has had to deal with dramatic downsizing as sales have dropped or the challenges of expanding, or merging with another company in order to survive and prosper. Though out the 80's and 90's big and small companies, even non-profits have all struggled with loss of revenue. We can learn from those experiences. For example, wholesale cuts and wiping out of entire departments is not an effective means of resolving financial problems. It exacerbates morale problems and the organization finds that its best people have moved to other departments or have left.

Therefore, we recommend that any steps taken towards regional cooperation, be done with the focus on both the bottom line as well as on the people. For example, take advantage of changes in the organization and plan accordingly. If you anticipate a retirement, promotion or other change in the organizational structure, take advantage of those changes when implementing regionalization and plan to time your efforts as best as you can with changes in the organization. For example, if you are considering combining the purchasing departments of two organizations and you know one of the clerks will be retiring in two years, develop your plan to take advantage of that change.

It values the employees and lets them know that they are part of the solution. You might also consider lateral movements or employees who want to take on new challenges as opportune time to implement your new process or program. Not always will you be able

to do that and there will be times when an employee may be laid off. But if you plan with enough time and knowledge of the organization, you can still meet your financial goals and objectives. What you want to avoid is hiring a brand new employee only to then implement one of these regional cooperative efforts that would then result in the firing of that employee just six months later. Moreover, when you have unexpected vacancies, before hiring a replacement, look towards regional cooperation to fill the need and save money for both organizations. This will be extremely difficult and the natural tendency is to say, "We don't have time, we need this employee now," and propose justifications for why cooperation will not work. However, this is the exact time when you should be undertaking this effort.

### ***Recommendations***

- Utilize regional cooperation as an incremental process and tool to derive cost savings for participating agencies or communities, both short and long term.
- Use regional cooperation as a tool by which to build trust and support for other more difficult community cost saving or shared resource collaborations or initiatives.

Our recommendation is that the City of Ypsilanti implements the strategy of regional cooperation as the long term solution to our fiscal crisis. We encourage the City of Ypsilanti to adopt regional cooperation as an incremental process and develop a few attainable and effective regional cooperative initiatives with neighboring communities (townships, cities and other agencies) including Washtenaw County that would enhance intergovernmental relationships, as well as, reduce the cost burden of participating communities. This cooperative effort should also develop metrics along with an education plan to evaluate and communicate the effectiveness of regional cooperation in our area and further consider regional cooperation that may include the consolidation of communities.

Underlying this recommendation is the need for intergovernmental participation and trust. Work has already begun with the City of Ypsilanti's participation in the Washtenaw Metro Alliance. While there is positive discussion on a variety of subjects including a recreation and regional fire authority, the city and other regional government entities should focus a substantial amount of energy on implementing more easily attainable opportunities for cooperation by focusing on less controversial efforts such as shared planning and building services, shared accounting and finances systems, greatly expanded joint purchasing agreements, joint contracting for services such as communications, legal, specialized inspection, plan review, and engineering services, where a larger contract serving a larger number of residents would result in better program efficiencies and lower costs.

Pursuing these more easily attainable cooperative arrangements, would help establish paths of communication and trust among government entities and would lay the

foundation for more ambitious cooperative agreements that would benefit residents throughout the county.

Ypsilanti is not alone when it comes to financial problems. While it would be helpful if Lansing would fix the financial model by which the city receives funds and halt any more cuts in revenue sharing, that prospect is unlikely. According to published reports, the State of Michigan is expected to have continued decreasing or at best flat tax revenue over the next three to five years. It seems unlikely that the city can expect any increase in shared revenues and it is more likely that there will be further cuts in state revenue.

Since increased revenue from the state is not likely, perhaps the City and surrounding government entities could work with the legislature to create incentives for greater regional cooperation. Those incentives might include increased revenue for communities that form and implement strategic partnerships.

Pursuing regional cooperation while at the same time working with the state legislature to establish and provide additional funding for communities that embrace and implement regional cooperation is in the sub-committee's opinion, the best strategy for developing a stable model for municipal finance.

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## **References**

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3. *Myron Orfield, T.L., Michigan Metro Patterns. 2003.*