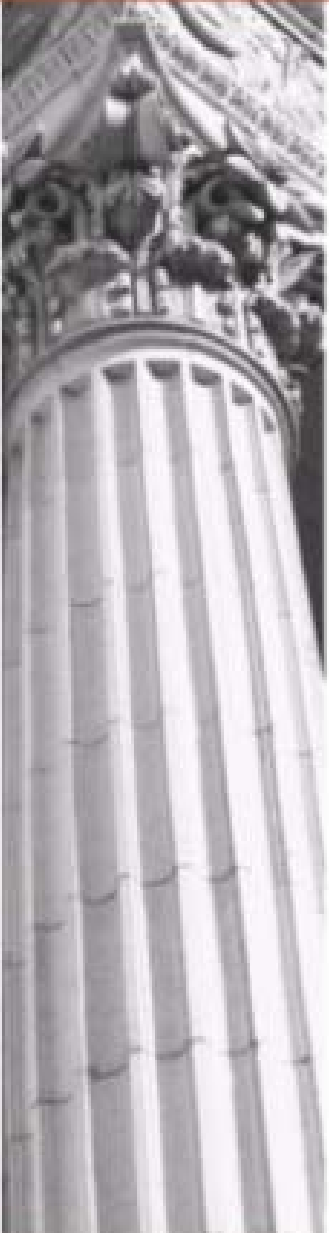




# Legal Implications of Collaboration and Consolidating Services

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by  
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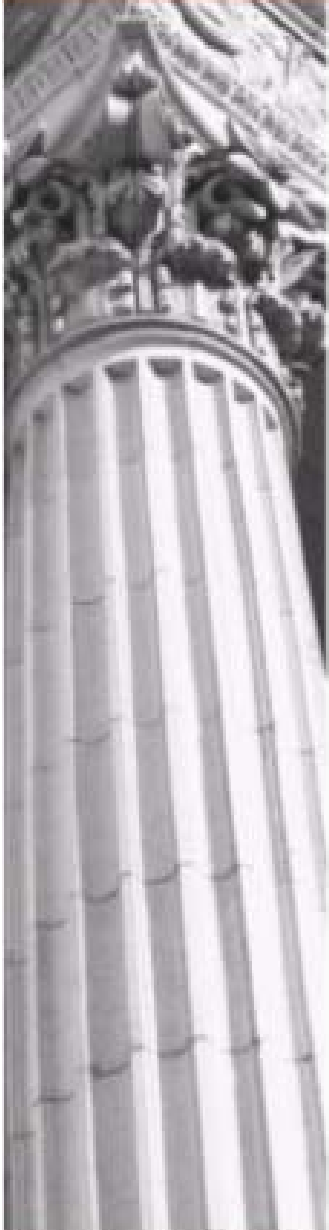


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## CRC's Involvement with Interlocal Collaboration

- 2005 – *Catalog of Local Government Services*
- 2007 -- *Authorization for Interlocal Agreements and Intergovernmental Cooperation in Michigan*
- 2008 – *Approaches to Consolidating Local Government Services*
- 2009 – *Streamlining Functions and Services of Kent County and Metropolitan Grand Rapids Cities*
- 2009 – Working with Public Sector Consultants on paper on *Improving Delivery of Local Government Services*



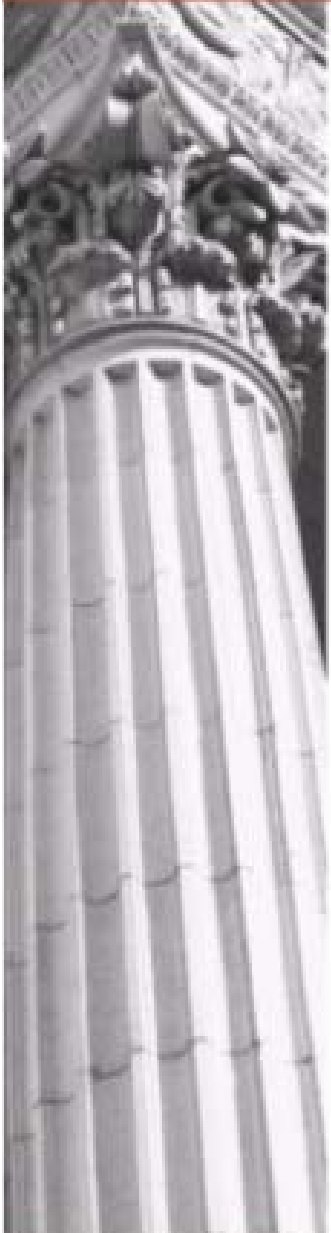
## Lessons Learned

- Too many local government service providers
  - Not too many local governments
  - Collaboration can actually increase the number of local governments
- Opportunity to “right size” provision of services
- Need strategic approach to consolidating local government services



## Four Types of Collaboration

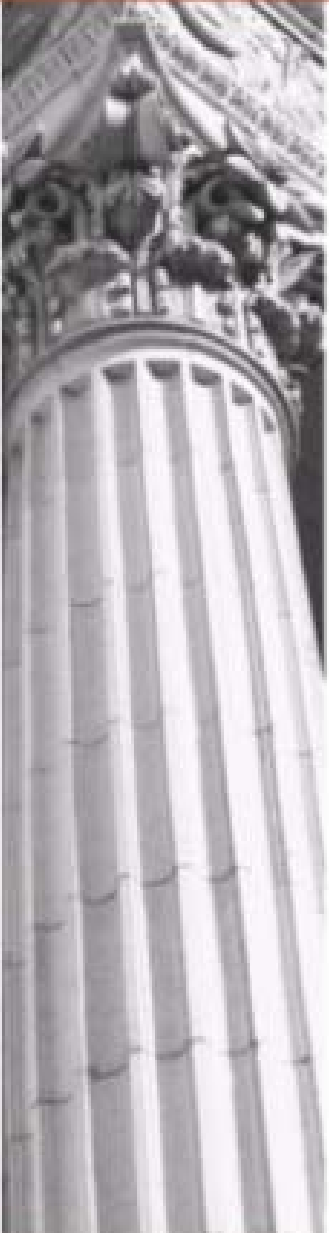
- **Horizontal Collaboration**
  - Equals in the provision of services
  - Capital intensive services
  - Geographically sensitive asset location
  - Requires détente to get rivals for economic development working together for service delivery





## Second Type of Collaboration

- **Vertical Collaboration**
  - Unequals in level of government
  - Technically intensive services
  - Location not geographically sensitive
  - Requires no détente because participants share goal of expanded tax base and improved service delivery





## Third Type of Collaboration

- **Indirect Collaboration**
  - Uses third party (private provider) to obtain economies and efficiencies that drive local governments to collaborate
  - Can replace horizontal & vertical collaboration
    - Also labor intensive services
  - Should not be discounted as a path to efficiencies



## Fourth Type of Collaboration

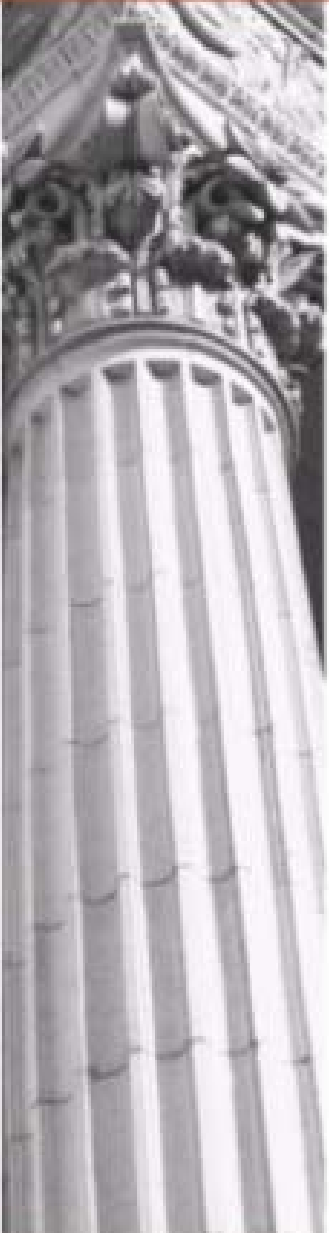
- **Joint Purchasing**
  - Goal is not to benefit from economies of scale (skill) to obtain efficiencies
  - Goal is to increase purchasing power to reduce unit price of commodities
  - Not geographically sensitive





## How can the State make collaboration more attractive to local governments?

1. Direct Aid
2. Carrots
3. Sticks
4. Just get out of the way





## Direct Aid

- Uniform Accounting (see CCIRF in Oakland County)
- Joint Reporting of Program Outcomes
- Educational Role
  - Best Practices
  - Want Ads
- Local Government Commission



## Carrots?





## Incentives

- The State does not have a lot of carrots to offer
- Existing and new collaboration must be treated equitably
- Differentiate between forms of collaboration
- Avoid unintended consequence of moving from indirect to direct collaboration



## Horizontal Collaboration

- Design around acquisition of capital assets
- Revolving Fund
  - State lend to local governments at below market rates for capital acquisition
- Loan Fund
  - State lend credit rating for capital borrowing (see School Bond Loan Fund)
- Available only to collaborating local governments



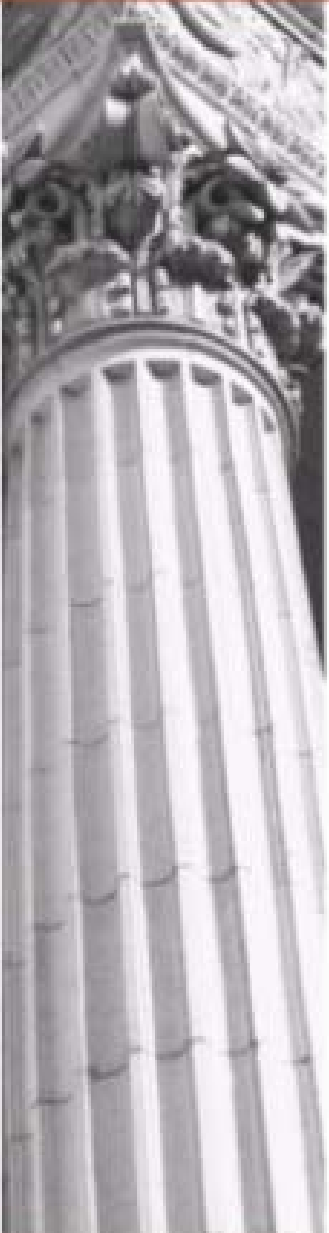
## Vertical Collaboration

- Modeled to reward vertical collaboration where counties or ISDs offer comprehensive programs to CVTs or school districts
- Targeted toward functions where efficiencies lead to cost savings
- NY Model (SMSI) that helps reduce the cost when function performed for majority of units in the county



## Joint Purchasing

- Existing consortia have to grow
- Existing and growing role for the State
- Individual governments have to be willing to compromise on specs



## **Sticks**

**(Is it possible to make a voluntary action mandatory?)**





## Act 72 Process

- Should the State use Act 72 to outsource performance of functions and delivery of services for fiscally distressed local governments?
- Are there partners willing to collaborate with fiscally distressed local governments?
- Isn't it in the county's interest to help make weakest local governments operate more efficiently?



## Benchmarks

- Target specific high cost functions/services
- Examine appropriate measures of service delivery
- Use carrots or sticks to consolidate service deliverers above certain thresholds
- Examples:
  - Students / High School
  - Parcels and Sq. Miles / Fire Department & District
  - Parcels / Garbage Collector



**Get out of the way!**





## Get out of the way!

- Did the passengers on the Titanic need incentives to get off the boat?
- The legislature needs to address
  - Laws that can cause collaboration to cost more than independent service provision
  - Laws that can impede the ability to negotiate collaborative agreements
  - Laws that can create negative incentives for elected officials making hard decisions



## Laws that can cause collaboration to cost more than independent service provision

- **Urban Cooperation Act**, Public Act 7 of 1967 (Extra Session), Section 5(g)ii
- **Intergovernmental Transfer of Functions and Responsibilities Act**, Public Act 8 of 1967 (Extra Session), Section 4(d)ii
- **Metropolitan Transportation Authorities Act**, Public Act 204 of 1967, Section 13(2)
- **Conditional Land Transfer Act**, Public Act 425 of 1984, Section 6(b)
- **Conditional Land Transfer Act**, Public Act 425 of 1984, Section 6(b)
- **Emergency Service Authorities Act**, Public Act 57 of 1988, Section 10(l)
- **Metropolitan Councils Act**, Public Act 292 of 1989, Section 23



## **In particular these laws state:**

“An employee who is transferred to a position with the political subdivision shall not, by reason of the transfer, be placed in any worse position with respect to worker's compensation, pension, seniority, wages, sick leave, vacation, health and welfare insurance, or any other benefits that the employee enjoyed as an employee of the acquired system.”

PA 7 of 1967



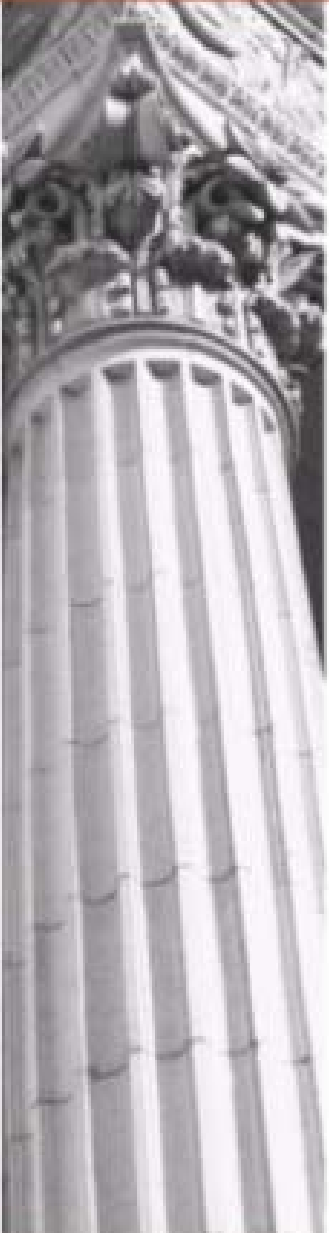
## Laws that can impede the ability to negotiate collaborative agreements

- **Compulsory Binding Arbitration for Public Safety**, Public Act 312 of 1969
  - Conditions of employment (such as geographic area serviced) is an issue subject to arbitration
- **Home Rule Cities Act**, Public Act 279 of 1909
  - Minimum staffing requirements for police and fire departments



## Laws that can create negative incentives for elected officials making hard decisions

- **Election Law**, Public Act 116 of 1954
- Should collaboration be a grounds for recall of elected officials?
- Make recalls harder or
- Reform recall process





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