

To Cooperate or Not to Cooperate, That is the Question!

What should taxpayers expect from their local elected officials? Well, I believe they have three expectations of all office holders and city / county government administrators:

- ✚ Provide government services of the highest quality, in a timely manner, efficiently and effectively
- ✚ Ensure a safe and enjoyable community to live in
- ✚ Encourage a robust local economy

Now, having stated what I hope is the obvious, let's look at what's going on today...

No end in sight for our weak regional economy

Michigan is among the worst performers in the nation with regards to unemployment, population growth, and economic momentum

- ✚ The State's population growth rate is less than one-third of the national average and its unemployment rate is the second highest in the nation, with job loss declines for five consecutive years.
- ✚ Ford's and GM's continued downsizing is creating *downstream* job losses at retailers, restaurants, and other service sector businesses, further weakening our regional economy.

Federal and State budget challenges continue

- ✚ Federal and State spending restrictions in Medicaid, public health program funding, revenue sharing, court equity monies, and so on, are reducing local revenues and grant opportunities.

Local governments in the region are struggling with serious budget issues

- ✚ Many cities, villages, and townships are struggling in the wake of reduced state revenue sharing, flat or declining property tax revenues resulting from Proposal A and Headlee, stable or declining interest income from investments, and fewer grant awards.
- ✚ In tandem with revenue *decreases*, operating costs have continued to *increase*, e.g., actuarially required contributions to retirement plans, health care, fuel, and salaries and other fringe benefits.

A significant percentage of public sector employees are approaching retirement

- ✚ The “brain drain” anticipated as the Baby-Boomers retire will be pronounced and may affect services provided by local governments.

Much redundancy exists within the public sector

- ✚ In Michigan, *hundreds* of local units of government operate largely independently from one another. Nationally, the number is nearly 90,000 (see sidebar)!

- ✚ All provide *indirect* services – like payroll, accounting, purchasing, information technology, etc. – while *core* services provided are virtually the same across communities.

U.S. Local Governments	
• Counties	3,034
• Municipalities	19,431
• Towns & Townships	16,506
• School Districts	13,522
• Special Districts	<u>35,356</u>
Total:	87,849

* - GFOA, GAFFR, 2005

A weak economy, continuing revenue constraints, cost pressures, and a “brain drain,” coupled with significant redundancy. *What to do then?* Well, consider this trend. A 2002 survey found almost *twice* as many local governments had studied the feasibility of interlocal or intergovernmental cooperation / joint public services as had in 1992 (58% vs. 31%). The survey revealed the primary reasons for pursuing alternative service delivery approaches were: internal efforts to cut costs (mentioned by 90% of respondents), external fiscal pressures (50%), and as a means to increase service quality!

Perfect! Cut costs, improve quality, and reduce redundancy using interlocal cooperation. So, what is this seemingly magical solution?

Interlocal Cooperation is...

Sym-bi-o-sis. Biology. A close, prolonged association between organisms that benefit each. A relationship of mutual benefit or dependence.

Sym-me-try. Exact correspondence of form and configuration on opposite sides of a dividing line. Beauty as a result of balance or harmonious arrangement.

Syn-er-gy. The interaction of two or more forces so that their combined effect is greater than the sum of their individual effects. Cooperative interaction that creates an enhanced combined effect.

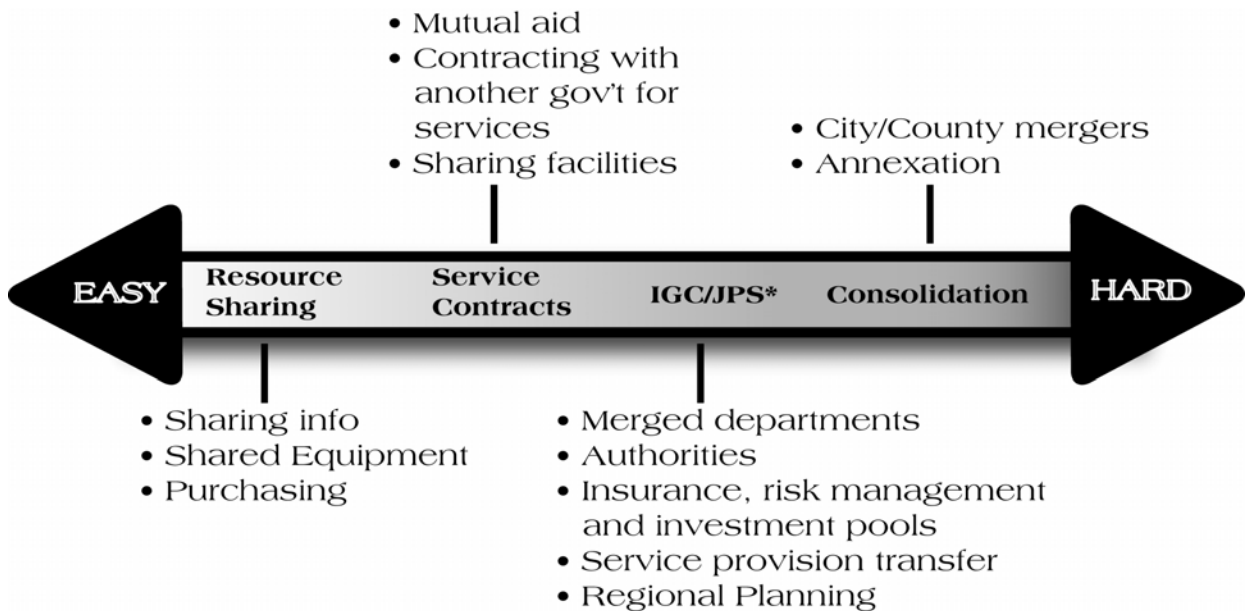
Cooperative initiatives can range from the simple (e.g., sharing equipment) to the complex (e.g., consolidation of departments between cities, villages, and townships) and can occur at four, interlacing levels:

- ✚ County to County
- ✚ County to cities, villages, and townships

- ✚ Between cities, villages, and townships
- ✚ County / cities, villages, and townships to Private Entity(ies)

Interlocal cooperation often refers to an *entire range* of collaboration. It encompasses a great many practices *already* in broad use, as well as newer *innovative* ones, that enable participants to construct a more efficient service delivery structure and better serve citizens (see illustration).

The Spectrum of Interlocal Cooperation



*Intergovernmental Cooperation/Joint Public Service

Further, interlocal cooperation assumes a philosophy of regionalization. And that's exactly what astute communities are focusing on! They're looking for regional solutions to economic development and service provision. They're taking a holistic approach because they realize that:

- ✚ *Residents and businesses* are less concerned about *where* their services come from than they are about *ease of access, quality, and cost-effectiveness*.
- ✚ Constituents often live in one community and work in another.
- ✚ Businesses service a broad area, not just one community.
- ✚ Employers benefit a *region* by bringing in new families, fostering housing construction, and attracting other support businesses (e.g., suppliers, restaurants, landscapers, retailers), many – if not most – of whom will locate in *surrounding* communities.

Progressive governments view themselves as a *team* of service providers contracted by a common set of *regional* customers. They realize that inter-community competition is counterproductive and that regional cooperation and re-engineering of service delivery models is needed at the *inter-community* level.

To this end, many of Michigan's cities, villages, townships and counties are pursuing collaborative initiatives (see the sidebar for examples of interlocal cooperation benefits).

So, what have we been doing?

On August 2nd, Oakland County hosted a full day *Summit On Intergovernmental Cooperation*. Over a hundred elected officials, administrators, department heads, and school superintendents from across the tri-county region attended.

The goal was to promote the benefits of, and generate enthusiasm for, intergovernmental cooperation. Sessions presented at the *Summit* included:

Why Interlocal Cooperation?

Service Provision

- Increases manpower to improve service levels
- Decreases response times
- Improves quantity and quality of services
- Improves equity of access to services
- Reduces duplication of services
- Broadens resource accessibility / utilization

Finance

- Spreads financing responsibility and risk
- Broadens equipment replacement cost sharing and achieves volume purchasing discounts
- Capital acquisition/improvements and certain other resources becomes more efficiently and effectively utilized due to economies of size, scale, and scope

Community Relations

- Meets citizen expectations that communities should work together to leverage tax dollars
- Expands the sense of community
- Reduces problems of jurisdictional boundaries
- Fosters an environment for future joint ventures
- Attracts businesses and furthers economic development

Operations

- Enhances career opportunities for staff
- Improves employee performance and morale
- Avoids the risks of *not* collaborating, e.g., layoffs, insolvency/takeover, increased taxes.
- Reduces the impact of attrition and retirements, since efficiencies gained often eliminate the need to fill vacated positions.
- Provides training and promotional opportunities for staff *beyond* the organizational borders of their "home" unit of government.
- Enables the hiring and retaining of professional, well-educated, and highly qualified staff.
- Leverages the experience and talents of personnel across a broader area.

✚ Intergovernmental Cooperation: What, Why, and How

✚ Cooperative Services: Case Studies

- ✚ Information Technology Collaboration: Wireless Oakland, Public Safety, Land Systems, and Other Shared Resources
- ✚ Other Collaborative Services: Parks & Recreation, Economic Development, and Library Services

Each session was hosted by an elected County official or Deputy County Executive with first-hand experience in launching cooperative initiatives. Attendees had the opportunity to network with their peers and representatives experienced in interlocal cooperation.

The *Summit* was so successful, I've encouraged my staff to consider *future* seminars – perhaps annually or even quarterly – to address “Best Practices” and offer workshops on such matters as financing, interlocal agreements, feasibility / business case studies, etc., that would give interested cities, villages, and townships a leg up on pursuing interlocal cooperation.

Of course, Oakland County has been pursuing interlocal cooperation for the provision of services with and/or on behalf of our cities, villages, and townships for quite some time. This has been consistent with our long range vision of fiscal responsibility and our goal of maintaining or improving service levels and quality *without* passing

on increased costs to our taxpayers. A litany of such services in the form of case studies was presented in the *Summit* sessions. The actual session presentations have been posted on our web site at:

<p style="text-align: center;">Oakland County's Capital and Cooperative Initiatives Revolving Fund</p> <ul style="list-style-type: none">• The fund was established to maintain the financial stability of Oakland County as budgetary pressures continue to impact local communities.• The monies can be used to obtain consulting assistance for communities to provide specialized expertise as they explore privatization and other intergovernmental cooperation initiatives in an effort to generate long-term reductions in expenditures, revenue enhancements, and/or cost avoidances• The communities must complete an application and are subject to a formal selection process• A formal governance structure is in place to oversee the selection of projects and allocation of monies
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http://www.oakgov.com/services_index/government/cvt_services.html. Also available at this site is a comprehensive list of those services the County provides with and/or on behalf of our cities, villages, and townships. The list is also available by department or community.

Another successful endeavor of ours has been our Capital and Cooperative Initiatives Revolving Fund. This fund sets aside monies to help cities, villages, and townships make the business case for interlocal cooperation projects. The side bar on this page and the County's web site (<http://www.oakgov.com/exec/initiatives/>)

provides additional details and an application form to request funds. To date, eight communities have availed themselves of funding and embarked on studies.

To Cooperate or Not to Cooperate...

Through the experiences of not just Oakland County, but of communities and other counties locally and across the nation, interlocal cooperation is a solution whose time has come. It's not easy, but then few worthwhile endeavors ever are. It's not always successful, but that's not an excuse for not trying. Our taxpayers expect their local elected officials to provide services of the highest quality, in a timely manner, efficiently and effectively...and interlocal cooperation is a significant means to that end.

A few "Words to the Wise"...

- Making a major positive impact on the respective budgets of the participants – while maintaining consistent or enhance service levels – is the overriding objective of most administrators and elected officials who pursue cooperative initiatives. Thus, Public Safety initiatives have received a good deal of publicity of late, as Police and Fire Department budgets account for roughly half of municipal expenditures.
- Look for service areas that have potential for economies of size, scale or scope, recognizing that labor-based services with minimal infrastructure or assets are less able to achieve such economies.
- Look for additional communities to be solicited to join the collaborative initiative.
- All participants must have a cooperative spirit – inclusive, honest, open-minded, and willing to cede some control.
- Diligently strive to overcome negative paradigms:
 - Bad experiences with cooperative initiatives in the past
 - Perceptions about neighboring communities
 - Prejudices
- Communication with, and education of, all stakeholders is of great importance.
- Recognize that each participant will naturally look out for their community's interests first and the regions / the new entity's second.
- Participants often do not see the interconnectedness of neighboring communities and how what benefits one often benefits the others.
- All participants need to show some benefits from the collaborative initiative.
- Identify a leader capable of bringing stakeholders to the table and with a cooperative spirit.