City of Troy

# CITY COUNCIL AGENDA ITEM

April 14, 2011

TO: The Honorable Mayor and City Council Members

FROM: John Szerlag, City Manager

SUBJECT: Economic Vitality Incentive Program

Attached is an Issue Advisory from the Michigan Municipal League which summarizes the Economic Vitality Incentive Program as advanced by Governor Rick Snyder. This is a new program that appropriates $195,000,000 to communities who meet three main criteria which is based proportionately against communities statutory funding from FY 2009/10 in the amount of 62.96%. That amount is divided into thirds based on the following criteria:

1. Each community must produce a citizen's guide or "dashboard" by October 1, 2011.

   We are ahead of the game on this. For the past two months I have been meeting with staff every Tuesday for reason of developing a dashboard. Our dashboard will be in place before this summer.

2. Each community must develop a plan to increase cooperation, consolidation and collaboration internally and with neighboring jurisdictions by January 1, 2012.

   Please know that I have been meeting with representatives of Oakland University; in particular, Dr. David Spencer, Executive Director of Smart Zone Development, for reason of establishing a community of practice. We hope to obtain a collaborative effort among Oakland County municipalities for reason of delivering cost efficient and effective services that will center on the following areas:

   A. Organizational restructuring
   B. Multi-year budgeting
   C. Privatization/Regionalization
   D. Consolidation
   E. Regional economic development initiatives
   F. Labor relations, including employee compensation and benfits
   G. Best practices

   I'll keep you advised on the status of this endeavor.

3. Each community shall develop an employee compensation plan which must include various factors by May 1, 2012

We are currently working with employee groups to reduce our costs of providing services.

Of great importance is a conversation I had with Councilwoman Robin Beltramini. Mrs. Beltramini advised me that the bill as currently crafted does not include any past efforts of consolidation and cooperation and only references future efforts in that regard. This needs to be changed as it penalizes municipalities like the City of Troy that have engaged in best practices for many years resulting in savings of millions of dollars. As an example, in Troy we in source dispatch and jail services with the City of Clawson; our Fleet Department in sources 11 outside clients for fleet maintenance, many of which are municipalities; we have totally privatized the Building Inspection Operations stopping a hemorrhaging of funds of over 5 million dollars; we have privatized operations and maintenance of our two 18-hole golf courses; we have a hybrid department of Engineering and Planning yielding the optimum mix of public and private sector employees to deliver services in Engineering and Planning.

The International City Management Association (ICMA) indicated that the City of Troy is ahead of the curve in many leading edge practices. The State of Michigan should thus not penalize the City of Troy or cities like us for failing to recognize previous successes which continue to save millions of dollars annually.

Please reach out to your contacts in Lansing and ask them to modify the above referenced HB 4274 to give credit to communities that have engaged in past efforts at consolidation and cooperation.

c: Honorable Governor Rick Snyder
Brian Calley, Lieutenant Governor
John Nixon, Budget Director
Doug Smith, MEDC Senior Vice President
Senator John Poppageorge
Representative Marty Knollenberg
Dr. David Spencer, Executive Director, SmartZone Development

# Issue Advisory

michigan municipal league

## House Committee Passes Specific Language to Replace and Reduce Statutory Revenue Sharing Today

Today at noon, the House General Government Subcommittee on Appropriations unveiled for the first time their specific plan for a new statutory revenue sharing program, based on Governor Snyder's proposal last month. The committee voted to pass the bill, HB 4274, moments later on a party-line vote.

As the Governor proposed, the bill provides for a new program entitled the "Economic Vitality Incentive Program," and appropriates $195 million to communities who meet three main criteria. The amount each community would receive is based proportionately against their statutory funding from FY 2009-10 in the amount of 62.96%. That amount is divided into thirds, based on three criteria.

1. Each community must produce a citizens guide or "dashboard" by October 1, 2011.
2. Each community must develop a plan to increase cooperation, consolidation and collaboration internally and with neighboring jurisdictions by January 1, 2012.
3. Each community shall develop an employee compensation plan which must include various factors (outlined in the attached link) by May 1, 2012.

There is also an appropriation of $5 million to Treasury for a new program for communities who undertake cooperative efforts, which is set to be a grant process developed by Treasury.

At first glance, there appears to be many differences from the recommendations Governor Snyder indicated in March. Some of the major differences are:

1. Each city, village or township that is got statutory revenue sharing in the State FY of 2009-2010 will be eligible for the new program. There is no provision that excludes communities who received under $6,000 (or any other amount).
2. The requirement that local communities must produce plans to cooperate and consolidate services does NOT include any past efforts at consolidation and cooperation and ONLY references future efforts in that regard.
3. There is NO specific reference to defined benefit/defined contribution plans OR an 80/20 split in health care contributions. Rather, in both instances the reference on retirement and health care is that communities develop a plan that is cost effective in relation to all new state classified employees.

Please see the specific section of the bill in this link, which outlines these proposals in detail. Section 951 references the new program and subsections (a), (b) and (c) outline the three main criteria. We expect this bill to be voted on by the full House appropriations committee and then the full House within the two weeks. Obviously, there are still many questions that we have regarding the proposal that we intend to work on as the bill moves through the process.

The League has testified that we oppose any revenue sharing program that reduces funding to communities, as we have absorbed over $4 billion in cuts to core services in the past 10 years. By passing a bill that cuts funding this significantly, the legislature is signaling their intent to encourage locals to reduce public safety officials and eliminate infrastructure projects, or increase local property taxes to try and maintain some level of services. This disinvestment strategy will not propel Michigan toward prosperity.

Click here to get the contact information for your local legislators.

**Contact:**
Summer Minnick, sminnick@mml.org

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