



**CITIZENS RESEARCH COUNCIL OF MICHIGAN**



**APPROACHES TO  
CONSOLIDATING LOCAL  
GOVERNMENT SERVICES**

**NOVEMBER 2008**

**REPORT 354**

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# APPROACHES TO CONSOLIDATING LOCAL GOVERNMENT SERVICES

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# APPROACHES TO CONSOLIDATING LOCAL GOVERNMENT SERVICES

page

## Contents

Introduction .....	1
About Intergovernmental Collaboration in Michigan .....	2
The Size of the Government and the Attributes of Services .....	3
Size of the Unit of Local Government .....	3
Economic Attributes of Government Services .....	4
Forms of Intergovernmental Collaboration .....	5
The Grand Blanc Consolidation Case Study .....	8
Patterns Found in Survey Data .....	9
Joint Purchasing .....	14
Learning from Current Practices to Create More Intergovernmental Collaboration .....	16
Cities, Villages, and Townships .....	16
A Proactive Role for Counties .....	20
Oakland County: A Case Study in Vertical Collaboration .....	21
State Actions to Promote Local Government Collaboration .....	23
Conclusion .....	30
Appendix A: Coding of Services in CRC Survey, 2005 .....	31

## Diagrams

Diagram 1: Modes of Interlocal Cooperation .....	7
Diagram 2: Decision-Making Process for Evaluation of Horizontal Collaboration Opportunities ...	18
Diagram 3: Decision-Making Process for Evaluation of Vertical Collaboration Opportunities .....	19

## Tables

Table 1: Percentage of Local Governments Reporting Each Provision Mode by Service or Function .....	10
Table 2: Frequency of Self-Provision, Cooperation, and Private Provision .....	15



# APPROACHES TO CONSOLIDATING LOCAL GOVERNMENT SERVICES

## Summary

### Introduction

The weakness of Michigan's economy, which has translated into fiscal and operational pressures on local governments, has created a renewed interest in consolidation of governments and governmental services. Consolidating governmental units and/or functions and services<sup>1</sup> can reduce the cost of government by capitalizing on economies of scale.

Short of full governmental consolidation, consolidation of governmental functions and services through intergovernmental collaboration allows local government officials to avoid duplication, benefit from economies of scale and economies of skill, and increase the level of services above that which is possible if the services are provided independently. Intergovernmental collaboration can take the form of governmental units contracting with other units to provide services, two or more governmental units working together to jointly provide services, or the formal creation of special authorities with indepen-

dent powers to tax, bond, spend money, acquire property, and in some cases, condemn property.

In 2005, the Citizens Research Council of Michigan catalogued the service delivery methods of local governments. Analysis of survey data indicates that patterns exist among the governmental units that collaborate for the provision of services and among the types of functions/services provided collaboratively. Whether those patterns exist by design or by chance, they show that local governments cooperate heavily for the provision of some services and with the state and county governments for the provision of others. The *Catalog* identifies the services that are provided in each municipality and the methods used to provide those services (independent, collaboratively with neighboring municipalities, working with the state or county, via a private provider, etc.). It does not attempt to identify motives for employing each service delivery method or savings that result from the delivery methods chosen.

### The Size of the Government and the Attributes of Services

Initial analysis of the survey results showed that local governments collaborate with each other most frequently in fire protection, either through direct cooperative arrangements or through the creation of special fire districts. Local governments also cooperate frequently in the provision of libraries, water and sewer services, and transit services. Other services and functions, such as police protection, janitorial services, and code enforcement, had relatively few reported instances of collaborative provision.

Given the disparity in rates of cooperation from service to service, CRC set out to understand why local governments cooperate in the provision of some services more than of others and why they cooperate with their peers for the provision of some services, but with the state or county governments for other services. To do so, CRC focused on the size of the local governments, the services provided by those governments, and the methods used to provide those services.

As governments grow in size and decisions are made to provide broader arrays of services, policy makers have to decide upon the best methods for delivering those services. Cost, of course, will play an important role in those decisions. Some functions and services require greater portions of municipal budgets than others. When direct service provision demands too much of a government's available resources,

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<sup>1</sup> Here, and throughout this paper, the term "function" refers to activities performed to make governments work (support-type activities that generally occur out of the public eye). The term "service" refers to activities performed to provide public goods.



policy makers must consider the relative costs and benefits of using intergovernmental collaboration or private contractors.

## Economic Attributes of Government Services

**Capital Intensive Services** require major expenditures for land, buildings, vehicles, or equipment. The cost of providing capital intensive services is not directly related to the size of the population or geographic area served. Once a local government has invested in the land, buildings, vehicles, or equipment to provide capital intensive services, that government often is capable of serving populations and geographic areas broader than that single government. In economic terms, this is known as **economies of scale**. With the capital items are in place, the marginal cost to the local government of providing services to additional people or areas is relatively small.

**Technically Intensive Functions and Services** require persons with college degrees or professional certification for their provision. While most governmental functions and services require at least a basic level of training, some services require persons with specialized academic training or that have been recognized in their fields through a professional certification program. As with capital intensive services, once local governments have invested in the employment of people with specialized technical expertise, they may have assets capable of serving populations and geographic areas broader than their individual local government. In economic terms, this is known as **economies of skill**. With the professional staff member is employed, the marginal cost to the governmental unit of providing services to additional people or areas is relatively small.

Contrasted with capital intensive and technically intensive services are **Labor Intensive Services**. The economies of labor intensive services are different from those of capital or technically intensive services. The marginal cost of serving additional residents or areas is strongly proportional to the amount of staff needed.

## Forms of Collaboration

Many of Michigan's laws that authorize intergovernmental collaboration allow two or more local govern-

ments – cities, villages, townships, counties, school districts, special authorities, and special districts – to collaborate with each other to jointly provide any services that each is authorized to provide individually. These forms of relationships are referred to as **horizontal collaboration**. Although one partner in a collaboration of this type may bring more to the partnership than the other(s), horizontal collaboration exists when two or more units at equal levels of local government agree to work together. (For purposes of this analysis, cities, villages, and townships are considered equal levels of local governments.)

Other laws allow local governments to collaborate with the state or county governments. Such collaboration may take the form of municipalities sharing the cost of functions performed by their counties; municipalities contracting with their counties or the state to have functions performed; or the county governments simply assuming responsibility for the performance of specific functions, thus relieving the municipalities of any function performance duties. These forms of relationships are referred to as **vertical collaboration**. Unlike horizontal collaboration in which two or more units at the same level of government work together for the provision of services, vertical collaboration exists when local governments have functions performed by different levels of government.

In addition to intergovernmental collaboration, local governments often rely on the private sector to provide services or perform functions. When two or more governments are using the same private provider for governmental services or functions, their relationships are referred to as **indirect collaboration**. The *Catalog of Local Government Services* shows that many of the same services are provided by local governments contracting with other local governments (in horizontal and/or vertical collaboration) and through indirect collaboration.

In the *Catalog of Local Government Services* survey responders indicated whether the service in their jurisdictions is provided: (1) individually; (2) via horizontal relationships; (3) via vertical relationships; (4) via indirect relationships; or (5) not at all (See **Diagram I** on page 7 of the Report).



## Patterns Found in Survey Data

It is evident from the survey results that municipalities have found it advantageous to cooperate in the provision of some functions and services more than others. The size of the governmental unit and the fiscal capacity (as measured by per capita property wealth) within each municipality play roles in determining which local governments engage in joint service provision. It also is clear that the economic attributes of the functions and services are key factors in understanding which functions and services are the best candidates for joint service provision. These findings suggest an approach for strategically selecting functions and services for which joint service provision may result in savings as well as the governmental units (or private providers) that will be best suited to collaborating for each function and service.

**Self Provision.** Most functions/services are performed independently by individual governmental units. The services with the highest percentages of local governments opting for individual provision are those that are core to the operation of local governments and tend to be labor intensive, such as purchasing, tax collection, accounting, elections, payroll, and record keeping, as well as zoning, planning, and building code enforcement/inspection/permits.

**Horizontal Collaboration** is used most often for the provision of capital intensive services, such as water treatment, libraries, sanitary sewer treatment, fire fighting, and mass transit. These are services that are

geographically sensitive – communities must be adjacent to one another and the capital intensive land, buildings, or vehicles must be centrally located to benefit all participating units.

**Vertical collaboration** is reported most frequently on specialized police patrol, criminal justice/courts, crime lab, roads, animal control, environmental, and building regulation services. Some of these services, especially criminal justice/courts and road maintenance, reflect legislative or constitutional provisions that require high degrees of county involvement and thus, institutionalize vertical collaboration.<sup>2</sup> Other services, such as crime lab, emergency planning and environmental services, require relatively high levels of technical expertise or training.

**Indirect Collaboration.** Private providers are heavily relied upon for utility provision, Internet access, solid waste collection, engineering and surveying, and legal services. The services provided through indirect collaboration either require significant capital investment – utilities, Internet access, and solid waste collection – or technical expertise – engineering, surveying, legal services, and information technology. Private providers also fill roles in labor intensive services, such as janitorial or security services. The costs can be greater for local governments because they do not have alternative work during down periods, but private firms can move staff across jurisdictions to meet demand.

## Learning from Current Practices to Create More Intergovernmental Collaboration

The *Catalog of Local Government Services* does not contain explicit cost data that would facilitate determination of whether present horizontal, vertical, and indirect collaborative service arrangements enhance economic efficiency, but the fact that a great many Michigan local governments have chosen similar patterns of collaboration for like services and functions indicates that these forms of collaboration make sense to decision makers. By learning from and building upon the experiences of local governments across the state, and by working to promote similar forms of cooperation in other localities, state and local policy makers stand the greatest chances of success in promoting viable cooperation.

### Local Governments

The following lays out an approach for local government officials to identify functions and services for which intergovernmental collaboration could lead to efficiencies and savings. It is suggested based on the current patterns employed by local governments throughout the state.

**Assess the Economic Attributes of Current and Planned Services.** Local government officials considering intergovernmental collaboration for the provision of services should begin with an examination of the characteristics of each function and service pro-

vided. Each function and service should be classified as primarily capital intensive, labor intensive, or technically intensive.

The economic attributes of some services are clear. Legal counsel is inherently a technically intensive function owing to the advanced degree required to practice law. An airport is clearly a capital intensive service. Other services may have certain economic attributes on a macro level, but other attributes appear when specific aspects of that service provision are examined. For example, police protection tends to be a fairly labor intensive service, suggesting that there is little opportunity to capitalize on economies of scale to achieve savings. But specific police functions such as detective work and crime scene investigation are technically intensive and detention facilities are capital intensive. While joint provision of police patrol protection might not create significant opportunities for savings, creation of joint crime scene units or detention facilities may produce savings. These opportunities can be identified only by examining each function performed by the governments.

**Identify Potential Partners.** The second step is to identify potential partners. Joint provision of capital intensive services is especially sensitive to geographic characteristics and analysis of existing relationships shows that fiscal capacity tends to play an important role. Because the governments will share land, buildings, vehicles, or equipment, it is ideal that the collaborating local governments share a border. The capital intensive facilities, vehicles, or equipment must be centrally located to mutually benefit the residents of all participating governments.

Analysis of existing horizontal collaboration indicates that it is most likely to occur when local governments of moderate fiscal capacity seek to partner with one another. Clearly, a lack of fiscal capacity is something that can be compensated for in an interlocal agreement, but leaders of a local government usually want assurances that their contribution to the cost of a joint service will be approximately proportional to the benefits their residents will receive.

Technically intensive functions are not geographically sensitive and can be provided to noncontiguous areas. Efforts to collaborate should begin by investigat-

ing whether the state or county performs those functions and would be amenable to performing those functions on behalf of the local government through vertical collaboration.

A local government's fiscal capacity should not be the driving factor behind the decision of local government officials to engage in vertical cooperation. Michigan's least wealthy communities rely on vertical collaboration more than communities of greater fiscal capacity, but evidence of vertical collaboration is found across all levels of fiscal capacity.

Finally, local government officials should always be aware of the services that can be provided by private contractors. Private providers of governmental services can offer the economies of scale and economies of skill that local governments seek through intergovernmental collaboration without regard to neighboring units or some restrictions that apply to governmental employees.

**Create Working Relationships.** The third step is the formulation of relationships with potential partners. Horizontal collaboration requires trust. It requires locally elected leaders to place responsibility for provision of functions or services in others over whom they have no direct control. Local governments engage in horizontal collaboration for services for long periods of time. Without confidence that the trust and investment will pay off in the long term, joint service provision is not likely to occur.

### Proactive Role for Counties

Counties can help their cities, villages, and townships become more efficient service providers in two ways: 1) assist local governments to create relationships with surrounding local governments and 2) provide more opportunities for partnering in vertical collaboration.

**Facilitate Relationships.** Counties can play a vital role in facilitating networking among city, village, township, and school district officials by hosting forums or summits for those officials. Several counties have already initiated intergovernmental forums or summits to facilitate communication between and among levels of government. A study of best practices among those counties would identify models for others to emulate in initiating these forums.

## APPROACHES TO CONSOLIDATING LOCAL GOVERNMENT SERVICES

**Evaluate Technically intensive Services.** Opportunities exist for counties to expand vertical collaboration to their constituent cities, villages, and townships because many of the functions performed by local governments also are performed by county governments. Each provides human resource and payroll functions; fiscal functions that deal with property assessment, accounting, purchasing, and banking operations; and information technology functions, geographic information system (GIS) mapping, and website maintenance. Both the county governments and the cities and townships are involved in the conduct of elections. Vertical collaboration does not require the counties to begin to perform functions they do not presently perform, but it requires a willingness to extend the expertise they have with these functions to local governments for mutual benefit.

### State Actions to Promote Local Government Collaboration

State government can help local governments operate more efficiently and it can create incentive programs that financially reward actions that create more collaboration.

**Technical Assistance and Best Practices.** The state can help local governments become more efficient through a role of information sharing, including technical assistance for the process of creating collaborative agreements, creation of a clearinghouse of best practices, and enactment of incentive programs to make intergovernmental collaboration more attractive to local government officials and their citizens.

In 2006, Michigan's Task Force on Local Government Services and Fiscal Stability recommended that Michigan model a local government commission after Indiana's, which has a strong relationship between the universities and the local government associations. It was envisioned that such a commission would help local government officials by collecting reports on intergovernmental collaboration progress, sharing information through want ads and guides, disseminating best practices, facilitating discussions on collaboration, and communicating the needs of local government to state policy makers.

**Opportunities for Vertical Collaboration.** Like the counties, the state government should reflect on its

own activities to consider opportunities for vertical collaboration to help local governments operate more efficiently. Recent consideration of actions to close state crime labs illustrate the ways in which local governments can operate more efficiently by partnering with the state. Those crime labs allow local government police departments to process evidence to identify criminals and prosecute cases through the criminal justice system. Without the state crime labs, local governments would have to construct, outfit, and operate their own labs at the municipal or county level. That option would be more expensive and duplicative.

**State Incentives for Intergovernmental Collaboration.** The state also can play a role promoting intergovernmental collaboration by creating positive incentives for collaboration while minimizing any side effects. One potential side effect of state incentives is that they could change the behavior of those governmental units that have already taken progressive steps to reduce service delivery costs. Incentives for collaboration should be built around the understanding that intergovernmental collaboration has been used by Michigan's local governments for many years.

It is recommended that state policy makers consider two types of incentive programs: one to promote horizontal collaboration for the provision of capital intensive services; a second to create incentives for local governments and counties to engage in vertical collaboration for the provision of technically intensive services.

#### *Incentives for Horizontal Collaboration*

Several types of programs could create incentives for horizontal collaboration. Each could be designed to capitalize on the strengths of capital intensive services that are best suited for this form of collaboration.

**Assist in the Acquisition of Capital Items.** Given the frequent use of horizontal collaboration for the provision of capital intensive services, state policy makers can promote collaboration by reducing the cost of capital items for those local governments that collaborate in the provision of those services. One method for accomplishing this would be for the state to create a loan fund or sinking fund to reduce the cost of borrowing for local governments that collaborate in acquiring, purchasing, or constructing capital intensive items.

**Grants to Help with Start-Up Costs.** A grant program building off of the Centers for Regional Excellence could assist local governments through the difficult transition of consolidating existing services. Grants could be offered to governments proposing to consolidate service delivery. Policy makers awarding grants should target specific local government services based on the opportunities for savings through horizontal collaboration in capital intensive services. Grant funds should not be tied to implementation, since some planning processes may conclude that collaboration is not likely to achieve substantial cost savings or enhanced services.

**Change State Revenue Sharing from Unrestricted to Restricted.** It would be possible to transform at least a portion of the statutory unrestricted state revenue sharing program into a restricted state revenue sharing program to fund specific capital intensive services. Funding could be increased for those entities providing the targeted program through collaborative arrangements.

**Amend Existing Restricted Revenue Sharing Programs.** State funds currently distributed to local governments through existing restricted state revenue sharing programs also could be used to create incentives for cooperation. The state currently uses formulas to distribute funding for libraries, highways, courts,

and mental health services. These formulas could be amended to reward positive behavior that has the net result of making state dollars go further. It would not be necessary for the state to add new funding to these programs to create incentives for collaboration, but to alter the formulas for distributing the funds currently available.

### *Incentives for Vertical Collaboration*

A second set of incentives could be created to facilitate vertical collaboration.

**Incentives for Municipalities to Contract with Counties.** Some states offer incentives for vertical collaboration. In particular, New York's Shared Municipal Services Incentive program recently added priority funding for applicants developing countywide shared services plans involving half or more of a county's municipalities and school districts. Michigan could replicate New York's Countywide Shared Service Plans program to make funds available to counties if services are provided through vertical collaboration to a specified proportion of their cities, villages, and townships. Counties would have the latitude to initiate provision of functions or services for their local governments that they feel especially well suited to provide or that their local governments are uniformly interested in shedding.

## Conclusion

The functions and services provided by local government have different cost attributes that play a significant role in whether local government officials choose to provide those functions or services individually or in some form of cooperative arrangement. Analysis of current service delivery methods suggests that capital intensive services are most appropriate for horizontal cooperation, where two or more local governments collaborate to provide services common among them. Their capital intensive nature creates economies of scale in which the marginal cost of providing services to additional residents is minimal and the benefit provided great.

It is common in the current structure of service delivery to find technically intensive services provided through vertical cooperation in which cities, villages or townships contract with their county government

or the state to perform functions for which advanced expertise is needed. The technically intensive nature of these services creates economies of skill in which the cost of performing the function for additional governmental units is below what it would cost for each individual unit to hire persons with the skills necessary to perform those functions.

Beyond the direction this approach gives local government officials as they investigate intergovernmental collaboration as a tool for achieving efficiencies, this approach should shape and define the role that counties and the state play in working with local governments. It should put those governments in a position of providing services to local governments and creating incentives to maximize the efficiencies to be gained through economies of scale and economies of skill.

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## Introduction

The weakness of Michigan's economy, which has translated into fiscal and operational pressures on local governments, has created a renewed interest in consolidation of governments and governmental services. Consolidating governmental units and/or functions and services<sup>1</sup> can reduce the cost of government by capitalizing on economies of scale.

Short of full governmental consolidation, consolidation of governmental functions and services through intergovernmental collaboration allows local government officials to avoid duplication, benefit from economies of scale and economies of skill, and increase the level of services above that which is possible if the services are provided independently. Intergovernmental collaboration can take the form of governmental units contracting with other units to provide services, two or more governmental units working together to jointly provide services, or the formal creation of special authorities with independent powers to tax, bond, spend money, acquire property, and in some cases, condemn property.

Many local government officials already recognize intergovernmental collaboration as an alternative method for delivering governmental service. Despite the state's strong home rule traditions and lack of

strong state mandates or incentives for collaborating, significant numbers of local governments currently collaborate to provide such services as fire protection, libraries, water and sewer, emergency dispatch, animal control, police crime labs, emergency planning, public transit, well and septic permitting, watershed management, and many others.

Leaders of local governments that do not currently make heavy use of intergovernmental collaboration still tend to recognize its value and may hope to use it in the future. However, it can be difficult to decide which services to provide through collaboration and which neighboring governments to approach about collaborating for the provision of that service.

In 2005, the Citizens Research Council of Michigan catalogued the service delivery methods of local governments.<sup>2</sup> Analysis of survey data indicates that patterns exist among the governmental units that collaborate for the provision of services and among the types of functions/services provided collaboratively. Whether those patterns exist by design or by chance, they show that local governments cooperate heavily for the provision of some services and with the state and county governments for the provision of others. The *Catalog* identifies the services that are provided

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<sup>1</sup> Here, and throughout this paper, the term "function" refers to activities performed to make governments work (support-type activities that generally occur out of the public eye). The term "service" refers to activities performed to provide public goods.

<sup>2</sup> Every city, village, township, and county government in 25 Michigan counties was surveyed about the means of providing 116 governmental functions and services, grouped into 26 functional categories. These 670 units of government represent 36 percent of the 1,859 general-purpose local governments in Michigan and contain 78 percent of the state's population. Responses were received from 464 of the 670 governments surveyed, for a response rate of 69 percent. Response rates for each type of government were: 67 percent for counties (16 of 25); 71 percent for cities (114 of 160); 65 percent for villages (54 of 83); and 69 percent for townships (280 of 403). For each function or service, the respondents were asked to indicate if their jurisdiction directly provides services; provide to, has provided by, or jointly provide services with another unit of government; provide services through a special district; contracts with a private provider for provision of services; or does not provide the services at all. For additional information, see *Catalog of Local Government Services*, CRC Memo 1079, September 2005, [www.crcmich.org/PUBLICAT/2000s/2005/catalog.html](http://www.crcmich.org/PUBLICAT/2000s/2005/catalog.html).



in each municipality and the methods used to provide those services (independent, collaboratively with neighboring municipalities, working with the state or county, via a private provider, etc.). It does not attempt to identify motives for employing each service delivery method or savings that result from the delivery methods chosen. A summary of those survey responses are listed in **Table I** (on pages 10-12).

Thus, while CRC does not have economic data with which to analyze collaboration patterns, the consis-

tent patterns of collaboration by independent decision makers in responding communities suggest that the same economic motivations drove their actions. Identification of those patterns can help guide local government policy makers in creating collaborative ventures and it can help state policy makers to promote local government collaboration. This paper is designed to recommend an approach to identifying services well suited for collaborative service provision and for identifying potential partners in joint service provision.

### About Intergovernmental Collaboration in Michigan

Any efforts to expand the amount of intergovernmental collaboration in Michigan must begin by putting Michigan's system of local government in context. Only a dozen other states – predominantly in New England (Connecticut, Massachusetts, Maine, New Hampshire, Vermont), the mid-Atlantic (New Jersey, Pennsylvania, New York), and other states in the old Northwest Territory (Ohio, Indiana, Illinois, Wisconsin) – are organized in a manner similar to Michigan with unincorporated towns or townships serving geographic areas outside of cities. Among the states with towns or townships, no other state has authorized townships to serve as complete service providers to the extent found in Michigan law.

In the other states, where townships or towns do not exist as service providing governmental entities, actions to efficiently provide services are less likely to take the form of two or more local governments collaborating to provide new or existing services. Instead, cities provide services within their boundaries and counties or special districts are responsible for providing services in areas outside of incorporated cities. It is common in the Southern states for counties to play extensive roles in the provision of services in unincorporated areas of the state. Some states, including Texas, California, Washington, Missouri, Colorado, and Nebraska, rely heavily upon special districts to provide services where there is a void in municipal government.

Michigan does not have any voids in municipal government. Every county comprises townships and cities. Villages supplement the services provided by townships. Overlapping these general purpose governments are school districts, which encompass the entire state. Unlike the Southern and Western states, Michigan's local government officials turn to intergovernmental collaboration not to fill voids, but to reduce or minimize the number of service providers and capitalize on economies, as discussed above.

Intergovernmental collaboration cannot be viewed as a one-size-fits-all method of achieving economies or cutting costs. While many individual services may be provided more efficiently through joint service provision, in some cases the decision to pursue collaborative service provision can increase costs to taxpayers. The benefits of cooperation will vary by the sizes of the units of government entering into the agreements, the services proposed for collaboration, and whether collaboration is proposed for current services or for services that will be new to the municipality.

## The Size of the Government and the Attributes of Services

Initial analysis of the survey results showed that local governments collaborate with each other most frequently in fire protection, either through direct cooperative arrangements or through the creation of special fire districts. Local governments also cooperate frequently in the provision of libraries, water and sewer services, and transit services. Other services and functions, such as police protection, janitorial services, and code enforcement, had relatively few reported instances of collaborative provision.

Given the disparity in rates of cooperation from service to service, CRC set out to understand why local governments cooperate in the provision of some services more than of others and why they cooperate with their peers for the provision of some services, but with the state or county governments for other services. To do so, CRC focused on the size of the local governments, the services provided by those governments, and the methods used to provide those services.

### Size of the Unit of Local Government

The large number of local governments that individually provide services and functions suggests that when local government officials decide to provide a service or perform a function, they are naturally inclined to provide services independently. That becomes increasingly difficult to do with growth in the number of services provided, as normally occurs as the populations and geographical areas served by the government increase in size.

Michigan has hundreds of relatively small governments that provide few services, including hundreds of general law townships. Staff of these small governments are each responsible for the administration or provision of multiple functions or services. For example, clerks in sparsely populated townships are responsible for maintaining custody of township records, recording and maintaining township board meeting minutes, maintaining voter registration files, conducting elections, maintaining tax certificates of authorized tax levies, maintaining a general ledger of revenues and expenditures, and preparing financial statements. Because of the rela-

tively small populations and number of parcels in these small governments, these tasks usually can be performed by one person, or only a few people.

Residents of governments serving larger populations tend to expect their local governments to provide more services. In local governments serving more densely populated areas, the actions of each resident have the potential to affect other residents in that community. Public safety agencies play increased roles in managing the interaction between people and in protecting properties. Local governments play roles in garbage collection and providing utilities, such as water and sewer, and use functions such as zoning and code enforcement to maintain the esthetic attractiveness of the community. Larger communities also have the critical mass needed to warrant provision of quality of life services such as mass transit, recreation programs, and libraries.

As the number of services and functions provided by local governments increases, the size of the municipalities' staffs also must increase. Those staffs are more specialized than the staffs serving small communities. Instead of individual municipal employees dividing time among multiple tasks, each staff member in these governments is charged with performing individual tasks. The clerks' offices in larger townships and incorporated cities and villages often have several staff members, each responsible for an individual task, such as maintaining records or conducting elections. Departments are created and support staff are employed to help carry out the tasks.

The size of the government staff is even larger and service responsibility even broader for the largest of Michigan's cities and townships. More and more services, such as recreation programs, refuse collection, and senior centers, are demanded by the municipalities' residents, leading to the creation of additional departments with the sole mission of providing single services. More than having staff within a clerk's office dedicated to providing specialized tasks, larger municipalities may create bureaus or departments charged with responsibility for carrying out these specialized tasks.



As governments grow in size and decisions are made to provide broader arrays of services, policy makers have to decide upon the best methods for delivering those services. Cost, of course, will play an important role in those decisions. Some functions and services require greater portions of municipal budgets than others. When direct service provision demands too much of a government's available resources, policy makers must consider the relative costs and benefits of using intergovernmental collaboration or private contractors.

## Economic Attributes of Government Services

Some local government services and functions are expensive to provide. The reasons vary from service to service because of the economic attributes of the inputs required for provision. Based on those attributes, local government services can be classified as capital intensive, technically intensive, or labor intensive.

**Capital Intensive Services** require major expenditures for land, buildings, vehicles, or equipment. The cost of providing capital intensive services is not directly related to the size of the population or geographic area served. For instance, the cost of a fire truck is fixed; a certain amount of space is needed for a golf course; and the cost of constructing a building to house a library, senior center, or garage does not increase in proportion to the population served by those facilities. Obviously, larger units of government will require more fire trucks, more recreation facilities such as golf courses, and bigger buildings to accommodate more frequent use, but the cost of these items is related to the quantity or size selected, not directly to the population to be served.

In fact, once a local government has invested in the land, buildings, vehicles, or equipment to provide capital intensive services, that government often is capable of serving populations and geographic areas broader than that single government. In economic terms, this is known as **economies of scale**. When the capital items are in place, the marginal cost to the local government of providing services to additional people or areas is relatively small.

Capital intensive services have labor costs as well, but the high cost of constructing or acquiring certain physical assets is the major hurdle local governments must

face when deciding whether to provide those services. For example, a fire department cannot operate without fire fighters, but the cost of the fire house, fire trucks, and equipment relative to available resources play critically important roles in the processes related to deciding whether to establish fire protection services independently or in collaboration with neighboring communities.

**Technically Intensive Functions and Services** require persons with college degrees or professional certification for their provision. While most governmental functions and services require at least a basic level of training, some services require persons with specialized academic training or that have been recognized in their fields through a professional certification program. Morgues require medical examiners, water and sewer systems require engineers, property assessing requires appraisers certified in their field, and most municipalities employ or contract with a lawyer that has passed the bar exam. People with specialized academic training or professional certification demand relatively high levels of pay, both in the private and public sectors, making performance of those functions expensive relative to available municipal resources. Although the services provided by these skilled professionals may be needed by governments of all sizes, the skilled professional may be underutilized if he or she is employed solely to provide the service to a single governmental unit.

As with capital intensive services, once local governments have invested in the employment of people with specialized technical expertise, they may have assets capable of serving populations and geographic areas broader than their individual local government. In economic terms, this is known as **economies of skill**. When the professional staff member is employed, the marginal cost to the governmental unit of providing services to additional people or areas is relatively small.

Contrasted with capital intensive and technically intensive services are **Labor Intensive Services**. Municipalities must employ relatively large staffs to provide these services. To decide how big the staffs should be, they will consider the size of the population or geographic area to be served. For example, the size of the staff of police officers patrolling a community is based on a ratio of officers to residents, of-

ficers per square mile, or officers per number of businesses. This explains why cities that used to be whole townships – such as Livonia, Portage, or Sterling Heights – have police departments far larger than unincorporated townships equal in geographic size.

The economies of labor intensive services are different from those of capital or technically intensive services. The marginal cost of serving additional residents or areas is strongly proportional to the amount of staff needed.

Labor intensive services may require some investment in capital items, but the size of the staff, as determined by independent variables, is the major determinant of the cost of providing those services. For example, police officers require radio-equipped patrol cars to perform their duties, but it is the size of the municipality's population and land area that determine how many officers are needed, and thus how many patrol cars are needed.

Each service and function identified in the 2005 *Catalog of Local Government Services* was assigned a score based on the nature of investment local governments would need to make to initiate provision of the service or function. Each function and service was coded based on the necessity of the government to perform the service and economic attributes (capital intensity, technical expertise, or labor intensity) of the particular service. CRC's assessment of the attributes of each function and service in the *Catalog of Local Government Services* is reported in **Appendix A**.

### Forms of Intergovernmental Collaboration

When confronted with functions and services that are very expensive relative to available resources, local government officials can use intergovernmental collaboration to spread the cost across wider tax bases. A primary motivation for intergovernmental collaboration is the potential to save money, either by achieving actual cost reductions compared to previous experience, or by limiting the growth of new costs. Intergovernmental collaboration allows local governments to capitalize on the economies of scale or economies of skill inherent in some services.

Other factors may motivate collaborative approaches to the delivery of governmental services, including: 1)

the ability to provide more specialized services (e.g., highly specialized GIS data applications for community planning); 2) the ability to add new services that could not be justified previously (e.g., professional economic development services); and 3) the desire to coordinate policies across regions to reduce negative spillovers (e.g., better land use planning).

Michigan laws enable a range of collaborative service delivery options, including **functional consolidation** (i.e., the transfer of one or more service functions from one unit to another), the creation of a new **regional government or special authorities, joint service provision and delivery, contracting** between governments, or **resource sharing**.<sup>3</sup> Each service delivery option has a different underlying economic and political logic, and each has a different potential for increasing efficiencies in municipal service provision. Michigan laws enable local government officials to create collaborative service arrangements with various configurations for alternate methods of providing services.

Many of Michigan's laws that authorize intergovernmental collaboration allow two or more local governments – cities, villages, townships, counties, school districts, special authorities, and special districts – to collaborate with each other to jointly provide any services that each is authorized to provide individually. These forms of relationships are referred to as **horizontal collaboration**. Although one partner in a collaboration of this type may bring more to the partnership than the other(s), horizontal collaboration exists when two or more similar units of local government agree to work together. (For purposes of this analysis, cities, villages, and townships are considered equal levels of local governments.)

Note that collaboration between cities, villages, or townships with their overlapping school districts can also be considered horizontal collaboration. Outside of the classrooms, many of the functions performed by school districts are very similar to the functions and services provided by general purpose governments.

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<sup>3</sup> For more information see *Authorization for Interlocal Agreements and Intergovernmental Cooperation in Michigan*, CRC Report 346, April 2007, [www.crcmich.org/PUBLICAT/2000s/2007/rpt346.pdf](http://www.crcmich.org/PUBLICAT/2000s/2007/rpt346.pdf).

Similar functions include payroll, information technology, human resources, and vehicle maintenance. Like general purpose local governments, school districts provide playgrounds, recreation programs, and snow removal. While general purpose governments might be inclined to collaborate as equals, collaboration with school districts is more likely to occur with one governmental unit contracting with another to have functions performed or services provided.

Unlike horizontal collaboration in which two or more units at the same level of government work together for the provision of services, **vertical collaboration** exists when local governments have functions performed by different levels of government. Other laws allow local government to collaborate with the state or county governments. Such collaboration may take the form of municipalities sharing the cost of functions performed by their counties; municipalities contracting with their counties or the state to have functions performed; or the county governments simply assuming responsibility for the performance of specific functions, thus relieving the municipalities of any function performance duties. Conversely, on occasion, counties may contract with the predominant city within their boundaries to perform a function that benefits the entire county. The state also contracts with local governments to perform some services on its behalf. For example, cities and townships collect the State Education Tax on behalf of the state and the Michigan Department of Transportation has contracts with several county road commissions and municipalities to care for state trunkline roads in their jurisdiction.

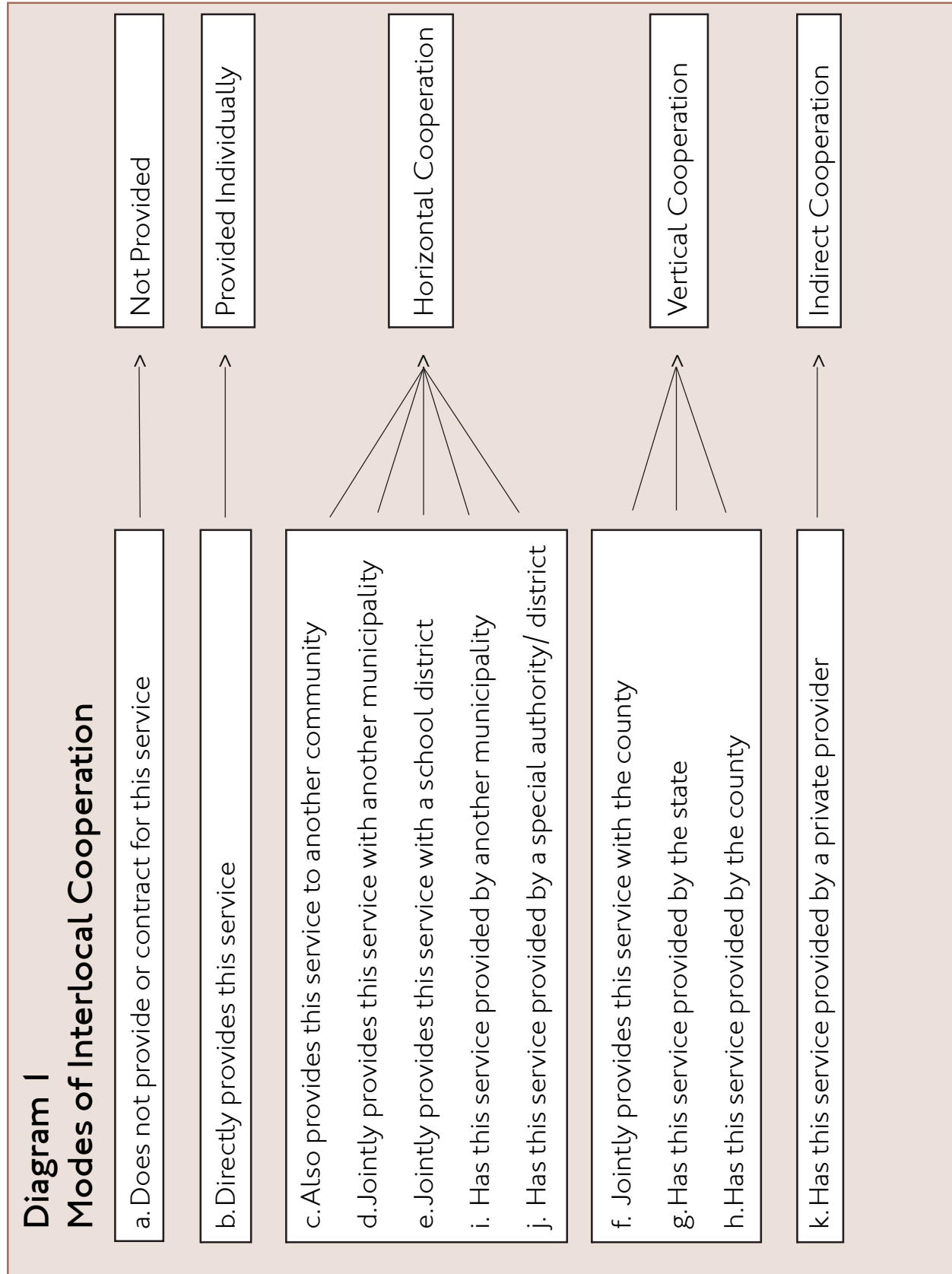
In addition to intergovernmental collaboration, local governments often rely on the private sector to provide services or perform functions. Local governments rely on the private sector for many of the same reasons they might look to neighboring or overlapping

governmental units for collaboration: to achieve savings and perform functions or provide services in a more efficient manner. Private providers may be able to capitalize on the economies of scale and economies of skill that make intergovernmental collaboration attractive to local governments, but private companies are not confined by governmental boundaries and can achieve economies by serving multiple governmental units without regard to location. Additionally, the turf issues that can cause political problems when local governments attempt to collaborate are not present when local governments contract with private providers.

When two or more governments are using the same private provider for governmental services or functions, their relationships are referred to as **indirect collaboration**. Indeed, some of the laws that authorize local governments to collaborate permit two or more local governments to jointly contract with a private entity for the provision of services. The *Catalog of Local Government Services* shows that many of the same services are provided by local governments contracting with other local governments (in horizontal and/or vertical collaboration) and through indirect collaboration.

In the *Catalog of Local Government Services* survey responders indicated that their jurisdictions directly provides services; provide to, has provided by, or jointly provide services with other units of government; provide services through special districts; rely on private providers for services; or do not provide specific services. For purposes of this analysis, the range of collaborative service delivery options in the Catalog was consolidated into five broad categories to indicate whether the service is provided: (1) individually; (2) via horizontal relationships; (3) via vertical relationships; (4) via indirect relationships; or (5) not provided (See **Diagram 1**).

**Diagram I**  
**Modes of Interlocal Cooperation**



### The Grand Blanc Consolidation Case Study

The analysis of a proposed merger between the City of Grand Blanc and the Charter Township of Grand Blanc presents a case study to illustrate the role of staff and service levels and the attributes of the functions and services play in judging the potential savings that can be gained by consolidating governments. Michigan's struggles to address the economic depression and the State government's structural deficit have included suggestions that Michigan has too much local government and the state would be well served to consolidate units of local government. Michigan has had only one successful consolidation in the last 40 years, the merger of three communities in the Upper Peninsula to create the City of Iron River. The proposed merger of the City of Grand Blanc and the Charter Township of Grand Blanc illustrate the ways in which economies of scale are found in the capital intensive services, and little is gained by consolidating labor intensive services.

Located in Genesee County, just south of the City of Flint, the City of Grand Blanc is a 3.76 square mile incorporated city with an estimated 2002 population of 8,088 and the Charter Township of Grand Blanc is a 32.74 square mile full service township with an estimated 2002 population of 32,698. Communities can align service areas with governmental jurisdiction by having the city annex all or parts of township territory. In this case, the Township has expanded service levels to meet the needs of its growing population so that it now performs most of the same functions and services as the City. A consolidation of these two units of government would be a merger of equals rather than an annexation.

An analysis of the staffing and revenues needed to operate a consolidated city estimated that a single unit would operate with roughly the same number of personnel and at the same cost as the two individual units currently do in aggregate. The analysis was not able to identify significant economies to be achieved through a merger that would lower costs. The explanation for these findings rests firmly with existing collaborative efforts between the two units and the attributes of the functions and services that would be merged through consolidation.

Most of the capital intensive services already are provided jointly by the two governmental units. The City and Township currently collaborate for the operation of a joint fire authority. They jointly fund the district library. The parks and recreation program is jointly operated and costs for the senior center are shared by the two units. Consolidation of garages, public service operations, and governmental facilities should lead to some savings, but the facilities and equipment already are in place so the savings would be marginal. Geographic information system (GIS) applications are performed in the Township and could be extended to the current city with very little marginal cost. The City does not currently have GIS services. Consolidation of the water and sewer system was not necessary as the two units are already served by existing systems and infrastructure. The consolidation of technically intensive services, such as assessing, accounting, and legal

services would provide for some savings, but the cost of operating these departments is relatively minor compared to the cost of public safety or water and sewer. Other departments, such as public services, are fairly labor intensive and the analysis estimated the consolidated city would need more or less the same number of personnel and resources as the two units currently require in aggregate.

Police protection stood out as the major cost center that would merge under consolidation. Police protection is a labor intensive service, and the metrics used by the City and Township police departments to set current staffing levels are only aggregated by merger. The analysis estimated that a joint police department would need about the same number of police officers for patrols as currently are employed by the two individual departments in aggregate. Where the size of each police department is currently dictated by the geographic size and population of each unit, the size of a joint department would be driven by the sum of those measures. The analysis did show that operating a combined department could help the region by improving 1) the ability to provide more specialized services; 2) the ability to add new services that could not be justified previously; and 3) the coordination of policies across regions to reduce negative spillovers. The ability to cut out middle management and capitalize on the economies of skill by creating a detective division and establishing a training officer would lead to improved police protection, but would do little to reduce costs.

The economic attributes of the services that remained for consolidation provide very little opportunity for savings. Several members of the City's staff perform multiple tasks as part of their daily routine, so the financial comparison proved to be the salary of a professional employed half time for each specific function, versus the salary of that professional employed full time for a merged city to perform that same function. The consolidation of technically-intensive services such as assessing, accounting, and legal services would provide for some savings, but the cost of operating these departments is relatively minor compared to the cost of public safety or water and sewer. Other departments are fairly labor intensive and the analysis estimated the consolidated city would need roughly the same number of personnel and resources as the two units currently require in aggregate.

Consolidation of the City of Grand Blanc with Grand Blanc Township may make sense for a number of reasons: better land use planning, equitably dealing with growth issues that promise to strain city resources, or serving a single community with one governmental unit instead of two. The analysis showed that with most capital intensive services already provided jointly by the two governmental units, and little savings to be achieved by consolidating the police departments due to the labor intensive nature of police patrol, the consolidation of these two units should not be pursued solely to achieve taxpayer savings.



## Patterns Found in Survey Data

It is evident from **Table 1** (see pages 10–12) that municipalities have found it advantageous to cooperate in the provision of some functions and services more than others. The survey results were analyzed to identify the patterns in the functions performed and services provided by local governments of different types and sizes and the nature of the cooperative functions and services. Based on this analysis, it is clear that the size of the governmental unit and the fiscal capacity (as measured by the per capita taxable value of real property) within each municipality play roles in determining which local governments engage in joint service provision. It also is clear that the economic attributes of the functions and services are key factors in understanding which functions and services are the best candidates for joint service provision. These findings suggest an approach for strategically selecting functions and services for which joint service provision may result in savings as well as the governmental units (or private providers) that will be best suited to collaborating for each function and service.

Local governments have utilized collaboration for the provision of some services more than for other services. Participating governments rely on horizontal collaboration to provide some services, but a completely different set of services are jointly provided through vertical collaboration. **Table 2** (on page 15) lists the 20 most frequently reported functions/services for each mode of service provision.

Two patterns emerge from **Table 2**. First, very little overlap exists among these lists. Only one governmental service appears on two top-20 lists (the operation of community theaters appears on the lists for horizontal collaboration and reliance on private providers), and no service appears on all four lists. This suggests that different economic and political considerations apply to each type of service, and these considerations dictate decisions to engage in self-provision, horizontal collaboration, vertical collaboration, or private provision.

Second, local governments employ horizontal collaboration with frequency for only a few services, whereas vertical collaboration is reported both at much higher rates and in many more service areas. In-

deed, horizontal collaboration is reported by more than 20 percent of responding units in only 25 of the 116 service areas; vertical collaboration is reported by more than 20 percent of responding units in 74 service areas.

**Self Provision.** The *Catalog* shows that most functions/services are performed independently by individual governmental units. Governmental units serving large populations, which tend to be incorporated cities and unincorporated charter townships, are the most likely to provide services individually. It should be noted that the preponderance of cities and charter townships as independent service providers may have more to do with the fact that those governments are serving larger populations and are therefore called upon to provide more services. There is no reason to think they are less amenable to collaboration than smaller villages or general law townships. The services with the highest percentages of local governments opting for individual provision are those that are core to the operation of local governments and tend to be labor intensive, such as tax collection, accounting, elections, payroll, and record keeping, as well as zoning, planning, and building code enforcement/inspection/permits.

**Horizontal Collaboration.** Analysis of the *Catalog* shows horizontal collaboration is used most often for the provision of capital intensive services, such as water treatment, libraries, sanitary sewer treatment, fire fighting, and mass transit. These are services that are geographically sensitive – communities must be adjacent to one another and the capital intensive land, buildings, or vehicles must be centrally located to benefit all participating units.

Analysis of these governments shows that fiscal capacity is an important element for local governments formulating relationships for horizontal collaboration. Horizontal collaboration occurs most frequently among municipal governments with some resources – as measured by per capita property wealth – to contribute to provision of the services, but those local governments with the greatest fiscal capacity are less likely to engage in horizontal collaboration. This pattern can be explained on several levels. It suggests

**Table I**

**Percentage of Local Governments Reporting Each Provision Mode by Service or Function**

	<u>Self Provision</u>	<u>Horizontal Collaboration</u>	<u>Vertical Collaboration</u>	<u>Private Provider</u>
(1) Document Services:				
Printing of Municipal Documents	65.5%	2.5%	8.3%	23.6%
Records/Archives	84.5%	1.1%	7.4%	7.0%
Document Destruction	82.1%	0.2%	1.9%	15.8%
(2) Human Resources:				
Training/Professional Development	38.9%	10.1%	25.2%	25.8%
Payroll/Benefits	84.6%	0.4%	0.0%	14.9%
(3) Fiscal Services:				
Property Assessing	59.4%	10.8%	13.9%	15.9%
Treasury Functions	89.7%	0.8%	8.0%	1.4%
Tax Collection	82.8%	4.2%	11.7%	1.3%
Accounting	88.6%	0.4%	0.4%	10.6%
Purchasing	89.0%	1.9%	7.7%	1.5%
(4) Information Technology:				
Management Information Systems	50.0%	2.5%	13.7%	33.9%
Geographic Information Systems	28.1%	8.3%	48.2%	15.4%
Website Development/Management	54.0%	1.4%	8.0%	36.5%
(5) Elections:				
Elections Administration	63.0%	11.1%	23.7%	2.3%
Records and Reporting	73.6%	7.7%	18.5%	0.2%
(6) Buildings and Grounds:				
Building Security	76.9%	1.5%	5.4%	16.2%
Janitorial Services	66.4%	1.3%	0.2%	32.0%
Cemetery Services	71.7%	7.4%	0.3%	20.7%
Mosquito/Moth/Insect Control	36.3%	1.7%	43.3%	18.8%
(7) Fleet Services:				
Purchasing	82.8%	3.6%	12.0%	1.6%
Vehicle Maintenance	56.7%	2.7%	1.5%	39.1%
Garage/Storage	90.4%	3.0%	0.3%	6.3%
(8) Refuse Collection:				
Residential Solid Waste Collection	18.9%	9.3%	3.6%	68.2%
Non-Residential Solid Waste Collection	12.4%	6.6%	4.6%	76.3%
Recycling	19.6%	12.6%	15.4%	52.4%
Landfill/Resource Recovery	10.2%	16.4%	22.6%	50.9%
(9) Building Regulation:				
Building Permits	66.3%	7.8%	14.8%	11.0%
Building Inspection	59.8%	9.7%	15.3%	15.3%
Code Enforcement	71.8%	5.0%	14.2%	9.0%
Well Permitting	10.8%	4.9%	80.5%	3.8%
Septic Permitting	10.0%	5.0%	81.1%	3.9%
(10) Police:				
911/Radio Communications	17.1%	18.2%	64.2%	0.4%
Officer Training	28.9%	10.6%	48.7%	11.9%
Patrol/Emergency Response Street	44.2%	6.6%	48.7%	0.5%
Patrol/Emergency Response Bike	54.5%	6.0%	39.1%	0.4%
Patrol/Emergency Response Foot	52.9%	6.4%	40.7%	0.0%
Patrol/Emergency Response Horse	2.8%	8.4%	88.8%	0.0%
Patrol/Emergency Response Marine	4.9%	3.1%	92.0%	0.0%
Patrol/Emergency Response Helicopter	0.0%	4.1%	91.0%	4.8%



# APPROACHES TO CONSOLIDATING LOCAL GOVERNMENT SERVICES

**Table I (continued)**

	<u>Self Provision</u>	<u>Horizontal Collaboration</u>	<u>Vertical Collaboration</u>	<u>Private Provider</u>
Detectives/Crime Investigations	33.8%	5.9%	60.1%	0.2%
Canine Unit	16.7%	11.5%	70.8%	1.0%
Emergency & Disaster Response Planning	24.5%	14.8%	59.0%	1.7%
Crime Laboratory	5.8%	3.4%	88.5%	2.4%
(11) Corrections:				
Jail(s)	5.8%	3.5%	89.7%	0.9%
Detention Center(s)	9.9%	3.3%	85.8%	1.0%
(12) Animal Services:				
Animal Licenses(dogs, etc.)	35.5%	3.9%	59.2%	1.4%
Animal Control	13.5%	4.4%	79.0%	3.0%
(13) Fire Protection:				
Inspection	49.1%	33.3%	15.0%	2.6%
Fire Fighter Training	41.1%	33.8%	15.5%	9.7%
Fire Hydrant Maintenance	60.6%	29.2%	7.2%	2.9%
Fire Investigations	33.9%	29.1%	36.0%	1.0%
Fire Fighting/Rescue	53.2%	42.8%	3.2%	0.8%
Ambulance/EMS	26.0%	28.8%	15.2%	30.0%
Hazardous Material Handling & Response	25.0%	30.7%	37.2%	7.1%
(14) Community & Economic Development:				
Zoning Administration & Enforcement	85.9%	1.1%	6.7%	6.3%
Engineering	19.8%	1.2%	8.6%	70.4%
Surveying	11.5%	1.1%	14.0%	73.4%
Community Planning & Development	61.1%	3.5%	14.9%	20.5%
Business Retention/Expansion	50.8%	8.3%	31.0%	9.9%
Business Licensing	44.5%	1.6%	52.0%	1.9%
Restaurant/Food Regulation	4.4%	2.3%	91.5%	1.8%
Public Convention Center	15.8%	14.9%	55.4%	13.9%
Promotion/Tourism	27.1%	13.0%	43.5%	16.4%
(15) Legal/Judicial Services:				
Attorney/Legal Services	20.8%	1.4%	8.5%	69.3%
District Court	9.9%	8.9%	77.8%	3.3%
Mediation or Dispute Resolution	9.8%	4.2%	58.0%	28.0%
(16) Roads and Bridges:				
Construction/Improvement	19.4%	0.8%	62.1%	17.7%
Maintenance	32.4%	1.3%	59.6%	6.7%
Winter Maintenance	32.8%	1.4%	63.0%	2.9%
Signs and Signals	25.9%	2.5%	66.9%	4.7%
Street Lights	30.3%	4.7%	30.1%	34.8%
(17) Sidewalk and Curb:				
Construction and Maintenance	40.2%	1.5%	31.2%	27.1%
Roadside Mowing	38.2%	0.7%	51.0%	10.2%
Beautification	56.3%	2.6%	28.2%	12.9%
(18) Utilities:				
Water and Sewer:				
Water Treatment	31.6%	52.2%	10.6%	5.6%
Water Distribution	48.2%	37.3%	9.3%	5.2%
Sanitary Sewer Collection	48.7%	34.8%	11.7%	4.8%
Sanitary Sewer Treatment	30.4%	48.1%	16.6%	5.0%
Storm Water Management	48.1%	14.6%	31.9%	5.4%
Storm Water Collection	49.7%	13.2%	30.6%	6.5%
Storm Water Treatment	33.0%	22.3%	38.6%	6.0%

**Table I (continued)**

	<u>Self Provision</u>	<u>Horizontal Collaboration</u>	<u>Vertical Collaboration</u>	<u>Private Provider</u>
Water Metering and Billing	62.4%	22.1%	10.0%	5.5%
Gas	1.8%	3.7%	2.2%	92.3%
Electric	5.2%	5.2%	1.4%	88.2%
Cable	2.9%	3.8%	1.0%	92.3%
(19) Parking Services:				
Lots and Structures	84.7%	4.2%	3.5%	7.6%
Meters	82.8%	3.4%	10.3%	3.4%
(20) Internet Services:				
Broadband Internet Access	6.0%	2.2%	2.2%	89.7%
Wireless Internet(Wi-Fi)	6.7%	4.7%	2.7%	85.9%
Other	33.3%	0.0%	0.0%	66.7%
(21) Transit Services:				
Public Bus System	7.8%	40.0%	43.9%	8.3%
Dial-a-Ride	16.4%	31.6%	41.0%	11.1%
(22) Airport(s)	15.6%	22.9%	52.3%	9.2%
(23) Environmental Services:				
Soil Quality and Conservation	9.5%	6.5%	80.0%	4.1%
Water Quality and Conservation	12.7%	8.6%	74.1%	4.6%
Watershed Management	15.2%	15.2%	65.4%	4.1%
Air Quality Regulation	4.1%	5.7%	87.3%	2.9%
Erosion Control Structures	11.6%	5.4%	79.5%	3.5%
Environmental Education	16.5%	11.1%	66.9%	5.4%
(24) Health Services:				
Hospitals/Clinics	4.9%	13.1%	26.2%	55.7%
(25) Parks and Recreation:				
Park(s)	68.3%	12.8%	18.0%	0.9%
Playgrounds	72.8%	14.4%	12.1%	0.8%
Community/Recreation Center(s)	55.7%	22.1%	17.6%	4.5%
Senior Center	45.2%	25.1%	23.3%	6.5%
Forestry Services	40.4%	4.0%	39.9%	15.7%
Golf Course(s)	18.8%	11.8%	16.0%	53.5%
Community Pool	36.3%	32.3%	17.7%	13.7%
Trails	53.4%	13.4%	30.7%	2.5%
Beach Facilities	39.3%	14.3%	45.7%	0.7%
Marina/Port Facilities	35.2%	15.5%	31.0%	18.3%
(26) Cultural Services:				
Museum/Art Gallery	28.1%	22.3%	20.9%	28.8%
Library	27.3%	48.9%	22.0%	1.8%
Zoo	10.7%	28.6%	50.0%	10.7%
Community Theater	18.6%	29.9%	13.4%	38.1%
Stadium(s)/Arena(s)	19.7%	38.0%	29.6%	12.7%
Entertainment Facilities	23.8%	22.6%	21.4%	32.1%

that the least wealthy communities generally are not seen as viable partners because of the limited resources they can contribute to fund joint service provision. Communities with average levels of fiscal capacity see their peers as viable partners and gravitate toward one another. Such decisions may be driven by

the desire of officials and citizens to feel that the benefits received are comparable to the resources contributed. Finally, the wealthiest local governments may be less troubled by the relatively high cost of certain services. If so, they will feel little need to look to their neighbors for partners in service delivery.

## APPROACHES TO CONSOLIDATING LOCAL GOVERNMENT SERVICES

Local governments stand to save more money by engaging in horizontal collaboration than they can save with vertical collaboration. Generally, capital intensive services, those best suited to horizontal collaboration, require greater portions of municipal budgets than labor intensive or technically intensive services. Services amenable to horizontal collaboration usually are the high profile services with which the public associates with their local governments – fire protection, libraries, water and sewer, etc. The higher profile of services amenable to horizontal collaboration means that efforts to enter into joint provision tend to meet with more resistance from citizens than efforts to enter into arrangements for vertical collaboration.

Horizontal collaboration requires a mutual understanding by officials in each participating unit that they can jointly provide services more efficiently than either would or could independently. Officials con-

stantly are aiming to enhance the tax bases of their local governments, often putting them in competition with neighboring local governments for economic development. This competition is waged through the rate of taxation and the amount and quality of services provided. Horizontal collaboration requires those governmental officials to put that competition aside – to mutually disarm – for the betterment of the residents in both communities. This competition and the need for mutual disarmament does not exist in vertical collaboration.

**Vertical Collaboration.** The *Catalog* shows that most instances of vertical collaboration represent asymmetrical relationships between local units that lack capacity or expertise in a given service area, and higher levels of government (usually county governments, but also some state government agencies) that have excess capacity or expertise.

### Joint Purchasing

Purchasing does not fit with the economic attributes of functions and services, nor into the forms of intergovernmental cooperation, discussed in this paper. The benefit of joint purchasing is the leverage gained by buying in bulk. Wholesale and retail providers of governmental supplies often are willing to reduce the unit price as the quantity purchased increases. By collaborating with other governmental units to purchase commonly needed items, governments may be able to obtain the same quantity of those items at a reduced unit price. The materials commonly used by local governments can include motor fuel, motor vehicles, computers and ancillary equipment, paper and office supplies, to name just a few items.

Because the benefit in joint purchasing comes from the greater leverage in the purchasing of goods, rather than the finding efficiencies in the supply of services, joint purchasing is not likely to result in savings through the elimination of positions within any governmental units. If two or more governments decide to collaborate on purchasing, each government must still have at least one staff member responsible for making purchasing decisions and specifying what items are needed to be purchased. In Michigan's smaller governments, that person usually is responsible for a number of other governmental functions. Larger cities, charter townships, and counties may have developed departments or offices to make purchasing decisions for other departments. Again, those staff members remain integral to the purchasing process, but the governmental unit can benefit from reductions in the unit price of the items desired.

Opportunities for governments to benefit from joint purchasing are not limited to collaboration with other cities, villages, and townships. School districts purchase many of the same items and supplies as general purpose governments. While school districts have a different mission than counties, cities, villages, and townships, the non-educational functions school districts perform, such as administration and grounds keeping, are very similar to the office functions and grounds keeping functions performed by municipalities. Although schools may engage in joint purchasing through many of the intermediate school districts, they should not feel bound to rely solely on collaboration with other governments of similar type to benefit from joint purchasing.

The greatest impediment to joint purchasing is often the loss of autonomy in purchasing specifications. Government administrators may desire paper of a certain stock, vehicles with certain features, or equipment of a desired type. The gains of joint purchasing are such, and the fiscal condition of Michigan's local governments are such, that it is growing necessary for local government administrators to surrender some of that autonomy. A number of purchasing consortia have been created that local governments can use to their advantage. If none of those meets the needs of individual governments there is no reason others cannot be created.

Horizontal collaboration can occur only when adjacent local governments are interested in jointly providing services, but vertical collaboration occurs without any relationship to the location of participating governments. Because the counties and the state overlap the local governments, two units on opposite ends of a county can benefit from county performance of functions. And two units in different counties can benefit from the state performance of functions. Vertical collaboration does not require

Unlike horizontal collaboration, where fiscal capacity has played a significant role in establishing existing relationships, vertical collaboration is used to benefit municipalities of all levels of fiscal wealth. County and state governments may be expected to view the poorest or most fiscally constrained local units to be the most worthy of support from their limited resources, but there is no evidence that fiscal capacity plays a role in local governments' reliance on vertical collaboration for service delivery. Michigan's least wealthy communities tend to rely on vertical collaboration more than the wealthier communities, but evidence of vertical collaboration is found across all levels of fiscal capacity.

Vertical collaboration is possible when the counties are amenable to act as service providers on behalf of their local governments. Counties and the state government perform many of the same functions as local governments and may provide support to those units regardless of the local governments' resource base. Efforts to undertake vertical collaboration pose fewer political barriers than those aimed at horizontal collaboration, as citizens and government officials are less likely to view their county or the state government as rivals. Rather than competing with the county government, local governments and the counties share the mutual goals of providing high quality services at low costs and enhancing their tax bases. An expansion of a city or township tax base is also an expansion of the county tax base. Thus, vertical collaboration is mutually beneficial because local governments benefit from higher service levels at lower cost and counties minimize excess capacity.

Vertical cooperation is reported most frequently on specialized police patrol, criminal justice/courts, crime lab, roads, animal control, environmental, and building regulation services. Some of these services, especially criminal justice/courts and road maintenance, reflect legislative or constitutional provisions that require high degrees of county involvement and thus, institutionalize vertical collaboration.<sup>4</sup> Other services, such as crime lab, emergency planning and environmental services, require relatively high levels of technical expertise or training.

**Indirect Collaboration.** The desire to operate efficiently drives government officials to seek private providers to perform governmental functions and provide governmental services. Like collaboration, private providers permit governmental units to provide more specialized services and provide new services for which individual governments could not justify the full investment required to providing the service.

Private providers are heavily relied upon for utility provision, Internet access, solid waste collection, engineering and surveying, and legal services. The services provided through indirect collaboration listed in **Table 2** either require significant capital investment – utilities, Internet access, and solid waste collection – or technical expertise – engineering, surveying, legal services, and information technology. Private providers also fill roles in labor intensive services, such as janitorial or security services. The costs can be greater for local governments because they do not have alternative work during down periods, but private firms can move staff across jurisdictions to meet demand.

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<sup>4</sup> The advent of the Great Depression in the 1930s left many townships unable to fund road maintenance. The role of county road commissions was expanded to include care of township roads. Only one township has since returned to the role of caring for its own roads. Adoption of the 1963 Michigan Constitution mandated certain changes in the structure of the state judiciary. Specifically, Article VI, Section 26, required that the offices of circuit court commissioner and justice of the peace be abolished and a court or courts of limited jurisdiction be created by the legislature. Public Act 154 of 1968 carried out that mandate and vested control of court districts with the legislature. These services were excluded from the analysis.

**Table 2**  
**Frequency of Self-Provision, Cooperation, and Private Provision**

Percent of units that reported self-provision, cooperation and private provision for top 20 responses in each service area

Self-Provision		Horizontal Cooperation		Vertical Cooperation		Private Provision	
Function/Service	Percent	Function/Service	Percent	Function/Service	Percent	Function/Service	Percent
Fleet Garage/Storage Treasury Functions General Purchasing Accounting Zoning Admin/Enforce	90.4%	Water Treatment	52.2%	Police Patrol – Marine	92.0%	Cable Utility	92.3%
	89.7%	Library	48.9%	Restaurant/Food Regulation	91.5%	Gas Utility	92.3%
	89.0%	Sanitary Sewer Treatment	48.1%	Police Patrol – Helicopter	91.0%	Broadband Internet Access	89.7%
	88.6%	Fire Fighting/Rescue	42.8%	Jail(s)	89.7%	Electric Utility	88.2%
	85.9%	Public Bus System	40.0%	Police Patrol – Horse	88.8%	Wireless Internet (Wi-Fi)	85.9%
Parking Lots & Structures Payroll/Benefits Records/Archives Tax Collection Fleet Purchasing	84.7%	Stadiums/Arenas	38.0%	Crime Laboratory	88.5%	Non-Res Waste Collection	76.3%
	84.6%	Water Distribution	37.3%	Air Quality Regulation	87.3%	Surveying	73.4%
	84.5%	Sanitary Sewerage Coll	34.8%	Detention Center(s)	85.8%	Engineering	70.4%
	82.8%	Fire Fighter Training	33.8%	Septic Permitting	81.1%	Attorney/Legal Services	69.3%
	82.8%	Building Inspection	33.3%	Well Permitting	80.5%	Res Waste Collection	68.2%
Parking Meters Document Destruction Building Security Records and Reporting Playgrounds	82.8%	Community Pool	32.3%	Soil Qlty & Conservation	80.0%	Hospitals/Clinics	55.7%
	82.1%	Dial-a-Ride	31.6%	Erosion Control Structures	79.5%	Golf Course(s)	53.5%
	76.9%	Haz/Mat Response	30.7%	Animal Control	79.0%	Recycling	52.4%
	73.6%	Community Theater	29.9%	District Court	77.8%	Landfill/Resource Recovery	50.9%
	72.8%	Fire Hydrant Maint.	29.2%	Water Qlty & Conservation	74.1%	Vehicle Maintenance	39.1%
Building Code Enforcement Cemetery Services Parks Janitorial Services Building Permits	71.8%	Fire Investigations	29.1%	Canine Unit	70.8%	Community Theater	38.1%
	71.7%	Ambulance/EMS	28.8%	Environmental Education	66.9%	Website Development	36.5%
	68.3%	Zoos	28.6%	Traffic Signs and Signals	66.9%	Street Lights	34.8%
	66.4%	Senior Center	25.1%	Watershed Management	65.4%	Mgmt Information Systems	33.9%
	66.3%	Airports	22.9%	Public Safety – 911/Radio	64.2%	Entertainment Facilities	32.1%

Source: Catalog of Local Government Services, CRC Memo 1079, September 2005, [www.crcmich.org/PUBLICCAT/2000s/2005/catalog.html](http://www.crcmich.org/PUBLICCAT/2000s/2005/catalog.html).

## Learning from Current Practices to Create More Intergovernmental Collaboration

The *Catalog of Local Government Services* does not contain explicit cost data that would facilitate determination of whether present horizontal, vertical, and indirect collaborative service arrangements enhance economic efficiency, but the fact that a great many Michigan local governments have chosen similar patterns of collaboration for like services and functions

indicates that these forms of collaboration make sense to decision makers. By learning from and building upon the experiences of local governments across the state, and by working to promote similar forms of cooperation in other localities, state and local policy makers stand the greatest chances of success in promoting viable cooperation.

### Cities, Villages, and Townships

The following lays out an approach for local government officials to identify functions and services for which intergovernmental collaboration could lead to efficiencies and savings. It is suggested based on the current patterns employed by local governments throughout the state. The consistent patterns of collaboration by independent decision makers in communities that participated in the *Catalog of Local Government Services* suggest that the same economic motivations drove their actions. This strategy should not exclude alternative joint service arrangements.

#### 1. Assess the Economic Attributes of Current and Planned Services

Local government officials considering intergovernmental collaboration for the provision of services should begin with an examination of the characteristics of each function and service provided. Each function and service should be classified as primarily capital intensive, labor intensive, or technically intensive. For purposes of analyzing the *Catalog*, functions and services were classified based on the cost of beginning provision of the function or service. This classification (see **Appendix A**) may provide a useful beginning point for identifying the attributes of services.

The economic attributes of some services are clear. Legal counsel is inherently a technically intensive function owing to the advanced degree required to practice law. An airport is clearly a capital intensive service. Other services may have certain economic attributes on a macro level, but other attributes appear when specific aspects of that service provision are examined. For example, police protection tends to be a fairly labor intensive service, suggesting that there is little opportunity to capitalize on economies of scale to achieve savings. But specific police functions such

as detective work and crime scene investigation are technically intensive and detention facilities are capital intensive. While joint provision of police patrol protection might not create significant opportunities for savings, creation of joint crime scene units or detention facilities may produce savings. These opportunities can be identified only by examining each function performed by the governments.

#### 2. Identify Potential Partners for Collaboration

The second step is to identify potential partners. Joint provision of capital intensive services is especially sensitive to geographic characteristics and analysis of existing relationships shows that fiscal capacity tends to play an important role. On occasion, county governments may play a role in provision of capital intensive services, but usually the geographic areas benefited by these services are much smaller than the areas covered by Michigan's counties. Economies of scale are achieved in the provision of these services when cities, villages, and townships collaborate in their provision. Because the governments will share land, buildings, vehicles, or equipment, it is ideal that the collaborating local governments share a border. The capital intensive facilities, vehicles, or equipment must be centrally located to mutually benefit the residents of all participating governments.

Analysis of existing horizontal collaboration indicates that it is most likely to occur when local governments of moderate fiscal capacity seek to partner with one another. Clearly, a lack of fiscal capacity is something that can be compensated for in an interlocal agreement, but leaders of a local government usually want assurances that their contribution to the cost of a joint service will be approximately proportional to the benefits their residents will receive. Collaborative ven-



tures currently exist among wealthy or moderately wealthy local governments, as measured by fiscal capacity, and communities with little fiscal capacity – especially in fire protection and library services. However, collaborative service provision between two or more local governments with the least fiscal capacity does little to improve the ability to afford the capital intensive item while increasing the geographic area to be served.

Technically intensive functions are not geographically sensitive and can be provided to noncontiguous areas. Efforts to collaborate should begin by investigating whether the state or county performs those functions and would be amenable to performing those functions on behalf of the local government through vertical collaboration.

A local government's fiscal capacity should not be the driving factor behind the decision of local government officials to engage in vertical cooperation with their county or the state. Michigan's least wealthy communities rely on vertical collaboration more than communities of greater fiscal capacity, but evidence of vertical collaboration is found across all levels of fiscal capacity. Local governments of all sizes and fiscal capacities can benefit from contracting with their county government or the state for the provision of technically intensive services.

Finally, local government officials should always be aware of the services that can be provided by private contractors. Private providers of governmental services can offer the economies of scale and economies of skill that local governments seek through intergovernmental collaboration without regard to neighboring units or some restrictions that apply to governmental employees.

### 3. Create Working Relationships

The third step is the formulation of relationships with potential partners. Horizontal collaboration requires trust. It requires locally elected leaders to place responsibility for provision of functions or services in others over whom they have no direct control. Local governments engage in horizontal collaboration for services for long periods of time. Without confidence that the trust and investment will pay off in the long term, joint service provision is not likely to occur.

Horizontal collaboration creates relationships among units of local government that are mutually beneficial to each participating unit, because, jointly, the units can better provide services that neither unit would or could self provide as efficiently. Each participant expects the other(s) to contribute their "fair share" to the financing of governmental services and is willing to collaborate based on the expectation that their residents will receive full benefit of the service provided. Horizontal collaboration requires participants to put aside their interests in competition for tax base expansion in the mutual interest of improved, more economical service provision.

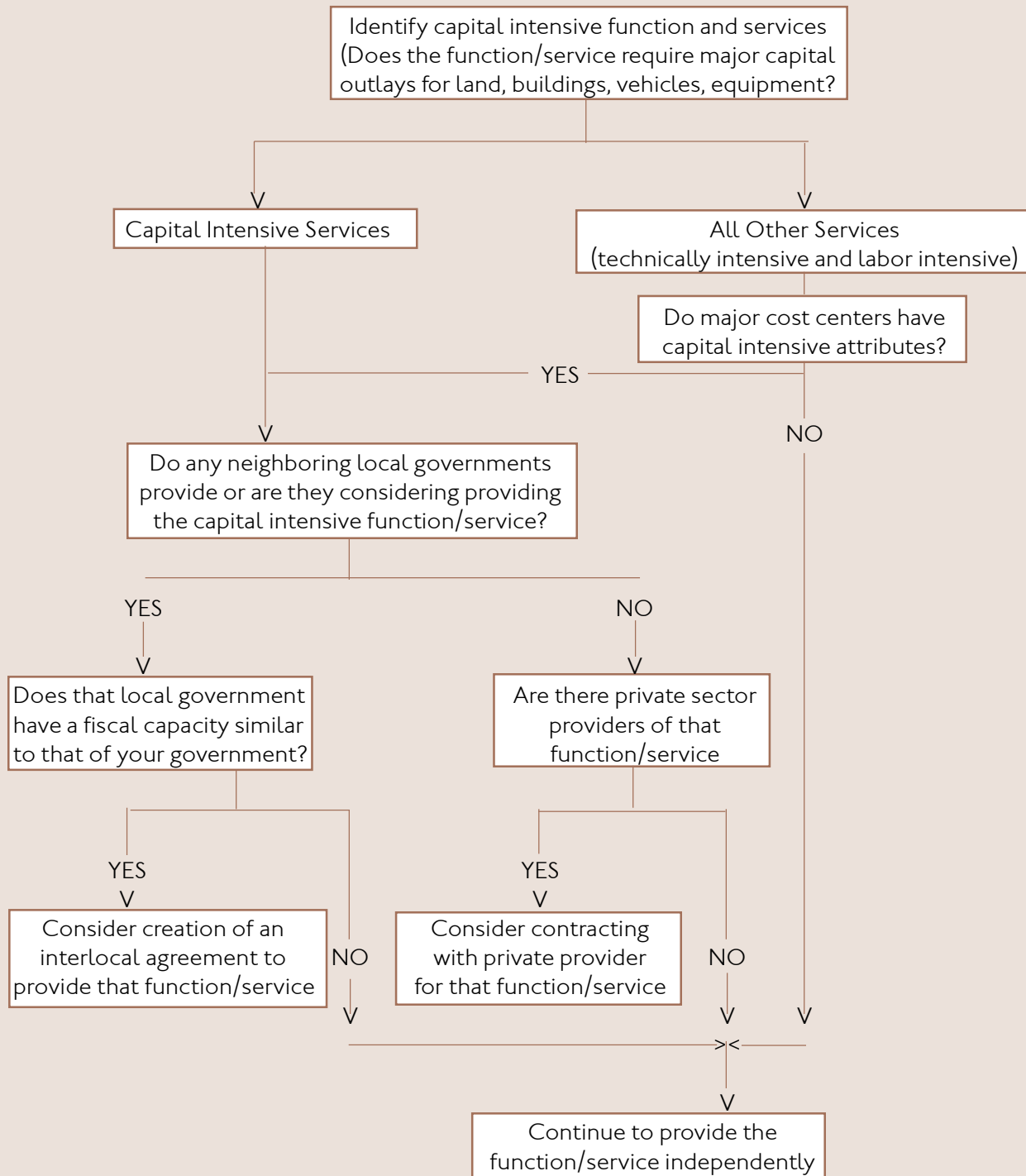
Local government officials should investigate opportunities for savings by working with their county governments to investigate opportunities for the counties to perform functions on behalf of those governments. The original role of counties as administrative arms of the state, and subsequent expansion in purpose to include services provided by local governments, has created situations where the counties are performing functions very similar to the local governments. Relationships often exist between the county and the local government officials responsible for similar services. For example, municipal clerks tend to have working relationships with their county clerk for the provision of elections. An expansion of the role of counties to contract with the local governments would allow those governments to operate more efficiently. Indeed, by acting to improve the service provision abilities of the counties weakest units, county officials are making the county as a whole a more attractive place to live or locate a business for everyone in the county.

**Diagrams 2 and 3** (on pages 18 and 19) offer decision trees for local government officials considering joint service provision. In each case, the process begins by identifying capital intensive services or technically intensive functions. When the service or function is not wholly capital intensive or technically intensive, are there tasks or cost centers that have those attributes? Consideration of suitable partners for collaboration will lead policy makers to consider neighboring units (for capital intensive services) or higher levels of government (for technically intensive functions) and compare that cost to the potential of contracting with the private sector.



**Diagram 2**

**Decision-Making Process for Evaluation of Horizontal Collaboration Opportunities**

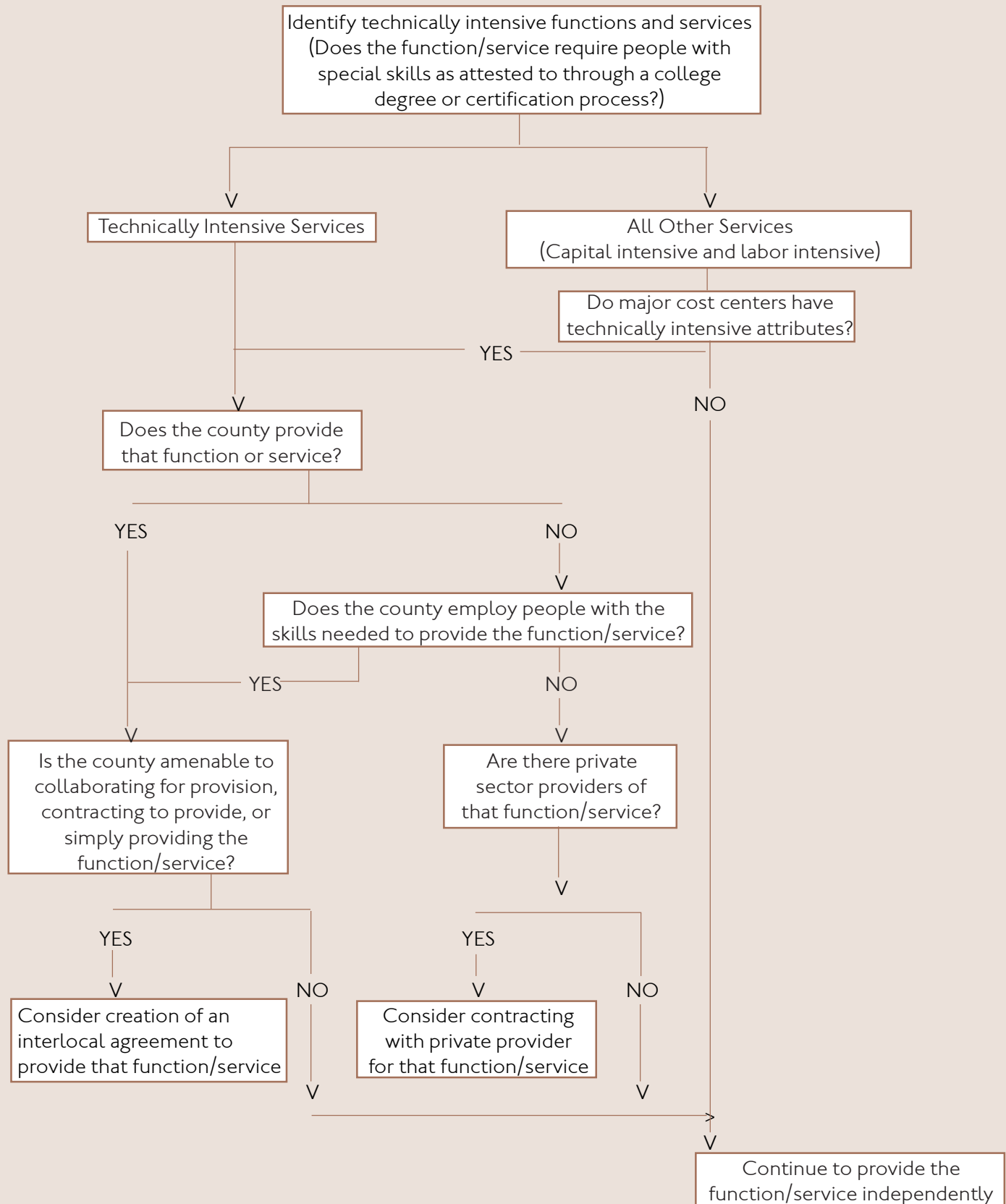


The suggested strategies for employing vertical or horizontal collaboration based on the economic attributes of each function and service should not exclude alternative joint service arrangements. These strategies are suggested based on the current patterns employed by local governments throughout the state. The consistent patterns of collaboration by independent decision makers in communities that participated in the *Catalog of Local Government Services* suggest that the same economic motivations drove their actions. CRC did not use economic data to analyze the collaboration patterns, but common behavior by unrelated actors suggests that their behavior has been driven by common perceived benefits for each type of collaborative action.

# APPROACHES TO CONSOLIDATING LOCAL GOVERNMENT SERVICES

Diagram 3

## Decision-Making Process for Evaluation of Vertical Collaboration Opportunities



## A Proactive Role for Counties

Counties can help their cities, villages, and townships become more efficient service providers in two ways: 1) assist local governments to create relationships with surrounding local governments and 2) provide more opportunities for partnering in vertical collaboration.

### 1. Facilitate Relationships between Local Government Officials

In its original incarnation, county governance was a regional exercise in intergovernmental cooperation. Counties were governed by boards of supervisors, with representation on the boards coming from each township supervisor and a number of representatives from cities based on population. The county boards of supervisors governed counties until the 1960s, when court cases concerning one person-one vote provisions in the U.S. Constitution caused changes to county governance. No longer could two townships of different size have equal representation on a county board. The county boards of supervisors were replaced by county boards of commissioners, with independently elected representatives chosen from districts that rarely are coterminous with cities or townships.

The loss of the county boards of supervisors created a void. Members of the county boards of supervisors were representatives of local governments. County board meetings routinely brought together local government officials with the opportunity to discuss service provision, and county officials heard about the need for an expanded county role, the services that local units were providing adequately, and the services for which local governments would benefit from county cooperation. The move to independently elected county commissioners reduced counties' connection to local units. As independently elected officials, county commissioners serve mixed roles of representing the people that elect them and the local governments that fall within their districts. Where supervisors were inherently prepared to address the needs of the local governments they represented, county commissioners are aware of the needs of the local governments only when they make special efforts to learn those needs.

Counties can play a vital role in facilitating networking among city, village, township, and school district

officials by hosting forums or summits for those officials. County forums or summits could fill the void created by the move from boards of supervisors to boards of commissioners. Government officials may find suitable partners for horizontal collaboration through direct calls, chance meetings, or through existing relationships for services already provided jointly. County-hosted forums or summits can facilitate the establishment of horizontal relationships.

Participants in these gatherings would not have the decision-making authority of the former county boards of supervisors, but the ability to share ideas for collaboration, address issues of duplication between local and county services, and improve communication can be strengthened through these forums. Oakland County's experience with these forums is that, over time, as collaboration develops, these broad based forums evolved into service specific user groups that manage existing collaborative efforts and seek opportunities to grow into new services.

Counties can host forums or summits without the need for additional legislation. In fact, several counties have already initiated intergovernmental forums or summits to facilitate communication between and among levels of government. A study of best practices among those counties would identify models for others to emulate in initiating these forums.

A search of comparable states identified limited use of this networking tool. In New Jersey, the Somerset County Business Partnership (SCBP), a business advocacy organization, houses a Shared Services Coordinating Council. Through this council, Somerset County government, individual municipalities, school districts, and private sector actors meet to promote tax stabilization and government efficiencies by identifying opportunities for service sharing, facilitating shared service agreements, and working to remove legislative barriers to collaboration.<sup>5</sup>

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<sup>5</sup> Somerset County Business Partnership, Peter Wright; [www.njslom.org/documents/SomersetCountyBrochure.pdf](http://www.njslom.org/documents/SomersetCountyBrochure.pdf).

### Oakland County: A Case Study in Vertical Collaboration

Oakland County's approach to improving county services has been an impetus to creating functions and performing services at the county level that make the cities, villages, and townships better able to perform their own functions or provide their own services. On numerous occasions, efforts to improve the systems used by the county for performing its functions have led to vertical collaborative arrangements that benefit the municipalities. This approach is driven as much by the county's self interest as it is by a recognition that actions that strengthening the weakest cities, villages, and townships will also strengthen the whole county.

The county needed to improve communication between offices, with the local governments, and with public safety agencies. Rather than wiring county offices and encouraging the cities, villages, and townships to make similar investments, the county took the initiative to create a fiber optic network between the county offices, all municipal offices, all police departments, all court buildings, and most fire departments in the county. The county met its needs in enhancing communication with the municipalities, but now those municipalities are more efficient in their own operations, as well.

A county assessment of the criminal justice system observed that deputy county sheriffs were spending a great deal of time transporting prisoners between county jails and court houses, records were not always available for timely arraignment of prisoners, and communities were not aware of crime trends in neighboring municipalities. Using Internet technology, the county created a website – CLEMIS (Courts and Law Enforcement Management Information System) – with 25 applications, including video conferencing, records management, and data storage. The system ties together the court houses within the county with the county jails, county sheriff's offices, and county squad cars. Municipalities benefit from this system because they are part of the same criminal justice system. Municipal police departments, squad cars, fire stations, and other public safety agencies are tied into this system. Since its inception as a tool for Oakland County and the municipalities within it, CLEMIS has grown to where it now serves communities in Wayne, Washtenaw, Livingston, and Macomb counties, the Michigan State Police, Michigan's Department of Human Services, and the U.S. Federal Bureau of Investigation.

In creating a technological system that benefits the county, a system was created that makes municipal public safety officers more efficient by providing for digital finger printing, video arraignment, electronic file transfer, crime pattern analysis, and information sharing across jurisdictional

boundaries. Law enforcement agencies are using police officers for public safety purposes, rather than chauffeuring prisoners to the courts and back. Criminal justice is no longer delayed because files are in other locations or misplaced. Across the county, these agencies are better able to perform their services because the county invested in a tool that aids in vertical collaboration.

Instances in which the county's efforts to improve its own services also worked to the benefit of the municipalities are found in other services as well. By investing in a geographic information system (GIS) capable of serving the municipalities' needs as well as the counties', Oakland was able to create a standard platform across the county. Similarly, the county's investment in property assessing software to serve the county's assessment equalization function has enabled it to contract to do the assessing for individual communities. The county currently contractually provides assessing for more than half of its cities and townships.

The county determined that it could serve the needs of individual communities with the excess capacity it had in its radio dispatch services. Not only do the communities contracting with the county for dispatch services shed dispatch as a local function, but the service is improved because the county is able to provide advanced medical training to dispatchers that enable them to give medical advice over the phone. Few individual communities could afford to invest in their dispatchers in this manner, but by spreading the cost across many jurisdictions the county is able to offer technicians with a higher level of skill.

Many of the services Oakland County offers to the cities, villages, and townships through vertical collaboration concentrate on the county's ability to capitalize on economies of skill. The county employs information technology specialists to create a public safety website, appraisers certified at high levels, and dispatchers trained in life support. Other services offered through vertical collaboration require capital investment, but are not central to a specific location that would require travel from the outermost reaches of the county. The provision of fiber optic networks for broadband telecommunications and the investment in GIS software permit municipal staff members to better perform their jobs.

Each of these services required an investment by the county and some surrender of autonomy by the individual municipalities, but the county and local governments are all better able to perform the functions for which they are responsible as a result. The county has not held intergovernmental summits as found in several counties,

but it has created service groups that provide information sharing with local government officials and opportunity for feedback on ways in which county services can better meet their needs. Each of these service groups is related to individual services.

The county also has created a Capital and Cooperative Initiatives Revolving Fund (CCIRF) to encourage local government officials to investigate and implement joint service provision arrangements. The county provides funding for a third-party, independent consultant to identify the costs and benefits of collaborative service provision and determine the feasibility of such an approach. Where past efforts have gotten tied up on hiring or splitting the cost of a consultant, CCIRF allows the local governments contemplating collaboration to worry only about working with the consultant.

Oakland County suggests counties considering ways to help their local governments through vertical collaboration

address two questions: 1) What does the county need to operate better? and 2) What do the municipalities want that they can't afford to adopt or can no longer afford to provide? Internally, officials should look at the future of their county. What services will the county be expected to deliver? What impediments keep the county from performing in its most efficient manner now? Is the county capable of performing financial projections into the future? What tools would help make such projections? Better understanding of property tax revenue trends? Better understanding of economic growth patterns? Better transfer of information between itself and the municipalities?

Externally, the county needs to understand the needs of the cities, villages, and townships. Are there new services that municipalities are considering providing that may be better provided by the county on their behalf? Are there services that have been provided by those municipalities that they can no longer afford to provide?

## 2. Evaluate Technically Intensive Services Provided by County

Much could be gained by changing the thinking of counties from stand-alone entities to multi-purpose function providers for their local units. In Michigan, intermediate school districts (ISDs) were created to perform functions for their constituent school districts. In New York, boards of cooperative educational services ("BOCES") were created to pool resources, thus allowing provision of services that individual school districts otherwise would not be able to afford. In addition to special education and vocational education for residents of all constituent school districts, BOCES play important roles in support of academic and business activities, such as information technology, staff development, business-office and other key services.<sup>6</sup> Both Michigan's ISDs and New York's BOCES serve as models for Michigan counties in the ways they can serve the municipalities and special authorities within each county.

Opportunities exist for counties to expand vertical collaboration to their constituent cities, villages, and townships because many of the functions performed by local governments also are performed by county governments. Each provides human resource and payroll functions; fiscal functions that deal with property assessment, accounting, purchasing, and banking operations; and information technology functions, geographic information system (GIS) mapping, and website maintenance. Both the county governments and the cities and townships are involved in the conduct of elections. Vertical collaboration does not require the counties to begin to perform functions they do not presently perform, but it requires a willingness to extend the expertise they have with these functions to local governments for mutual benefit.

The additional costs of performing functions for more than just the counties should be covered by the payments made under contract with the counties. Efforts could be made to promote counties as providers of services that require technical expertise.

County government leaders should work with local governments to assess the attributes of the services provided by the county and at the same time direct county department heads to orient county services to contracting with local governments. To some extent,

<sup>6</sup> BOCES: A Model for Municipal Reform?, by Robert Ward, NYSBA Government, Law and Policy Journal, Winter 2007, Vol. 9, No. 2, pp. 65-68.

the role of county governments as providers of services with or for their cities, villages, and townships will require some change in attitude. County government leadership and staff will have to begin seeing themselves as partners and service providers for the cities, villages, and townships. County leadership will be needed to gear county services to benefit the local governments and let the local governments know that the county governments are amenable to working with

them to achieve savings. That leadership role may require more counties to consider the optional unified or charter form of county government with an elected executive. Elected executives, either in the charter form or optional-unified form of county government, are well suited to managing all of the pieces of county government as a whole, directing department heads to carry out specific tasks, and championing collaborative efforts.

### State Actions to Promote Local Government Collaboration

State government can help local governments operate more efficiently and it can create incentive programs that financially reward actions that create more collaboration.

#### Technical Assistance and Best Practices

The state can help local governments become more efficient through intergovernmental collaboration. Viable roles for the state include technical assistance for the process of creating collaborative agreements, creation of a clearinghouse of best practices, and enactment of incentive programs to make intergovernmental collaboration more attractive to local government officials and their citizens.

**Standardized Data Reporting.** Michigan laws provide for a standard chart of accounts to which local governments are supposed to adhere for financial reporting, but not enough local governments stick closely to that format. All local governments – general and special purpose – are required to conform to generally accepted accounting principles, but budgeting differences and accounting aggregation result in variances in reports of expenditures by function or service. This arrangement can complicate negotiations and planning for the consolidation of services. Before government officials can begin to discuss service levels or staffing and equipment needs, accountants and consultants have to translate the finances of potential participants so that all financial discussions begin from a uniform understanding.

Lack of consistent accounting creates even bigger problems when municipalities and school districts investigate collaboration. Many of the functions needed

for governments to operate cut across municipal and school governments: human resources, purchasing, vehicle maintenance and fueling, etc. The problem in this instance is not individual units straying from intended practice, but separate laws establishing standard charts of account for municipal and school district governments.

Based on feedback from participants in the pilot year of The Fund for the Efficient Delivery of Local and Regional Services in Maine (the Fund), the Maine Legislature passed legislation in 2006 to encourage a standardization of accounting. Additionally, Maine will allow grantees that jointly provide services or perform functions to file joint reports regarding those services, as opposed to filing the same report separately from each municipality, thereby streamlining collaborating governments' reporting requirements.<sup>7</sup>

To deal with this and other obstacles to collaboration within a small region of Michigan, Oakland County initiated the Capital and Cooperative Initiatives Revolving Fund (CCIRF) program to cover the professional service costs of independent, third party consulting engagements to evaluate the business case for each proposed collaborative endeavor. The county is not in a position to require standard reporting, so it enabled a process of performing feasibility studies to create common understanding cost structures, service levels, and ability of each participating government to contribute to the costs.

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<sup>7</sup> [www.maine.gov/spo/sp/regional/docs/Report-2006.pdf](http://www.maine.gov/spo/sp/regional/docs/Report-2006.pdf)



In Michigan, the State and/or the local government associations may wish to revisit the standard chart of accounts to investigate whether greater uniformity in financial reporting would help to facilitate the process of consolidating governmental services. Similarly, joint reporting for those services provided collaboratively could ease the burden of local government officials.

**Reporting.** Both the SHaring Available Resources Efficiently (SHARE) program in New Jersey and The Fund in Maine require grantees to regularly report to their state legislature the progress achieved in terms of efficiencies, cost savings, and lessons learned. This reporting serves to inform both future collaborations in the state and legislative efforts to remove barriers to collaboration. The New Jersey and Maine programs expressly state their purpose to save taxpayer money as local budgets get tighter, while promoting the benefits of intergovernmental collaboration.

**Information Sharing.** The New Jersey State League of Municipalities has formed an Interlocal Advisory Center to disseminate information and facilitate service sharing across municipalities. Their website includes a “Shared Services Board” that serves as a sort of “want ads” for those seeking to share services, as well as examples of current collaboration efforts around the state and other resources.

**Local Government Commission.** Pennsylvania recently created the Governor’s Center for Local Government Services to provide vital programs, services and training to local officials and municipal employees, and help cut through red tape in state government to expeditiously solve problems at the local level. The Center offers funding for local government programs, provides assistance and training for local government officials, keeps local government statistics, and publishes documents to help local government officials deal with common problems and pursue efficiencies.<sup>8</sup> One such document, the Intergovernmental Cooperation Handbook, describes the benefits of cooperation, describes the laws that authorize cooperation, and provides a guide for making cooperative ventures work.<sup>9</sup>

Prior to 2002, Minnesota provided grant funding and incentive programs to facilitate service sharing or consolidation through its Board of Innovation and Collaboration. In 2002, owing to State budget reductions, the Legislature repealed the Board’s statutory authority and eliminated its funding.<sup>10</sup> Despite the elimination of funding for the grant program, the State continues to work to facilitate interlocal cost saving and efficiencies. The State Auditor produced a report of best practices in 2004<sup>11</sup> and provides a clearinghouse, published on its website, of service sharing efforts around the state.<sup>12</sup> In August 2005, the Auditor was given the authority to grant waivers to municipalities that wish to cooperate in otherwise unauthorized joint purchasing or service sharing. This authority had previously rested with the Board of Innovation and Collaboration.

A number of other states have created advisory commissions for intergovernmental relations, modeled after the former United States Advisory Commissions on Intergovernmental Relations (ACIR), or have centers or divisions in state government to help local governments operate efficiently. Close to Michigan, state level ACIRs can be found in Indiana, Missouri, and Tennessee.

Some states have devoted substantial university resources to helping local governments operate more efficiently. The School of Government at the University of North Carolina, Chapel Hill and the Virginia Institute of Government at the University of Virginia are two well respected university based programs that tie together state resources and assistance to local government officials.

The 2006 Final Report to the Governor of The Task Force on Local Government Services and Fiscal Stability<sup>13</sup> recommended a new Michigan commission on local government sustainability and intergovernmental

<sup>10</sup> [www.auditor.leg.state.mn.us/FAD/access/02-55.htm](http://www.auditor.leg.state.mn.us/FAD/access/02-55.htm)

<sup>11</sup> [www.osa.state.mn.us/default.aspx?page=BestPracticesReview](http://www.osa.state.mn.us/default.aspx?page=BestPracticesReview)

<sup>12</sup> [www.osa.state.mn.us/BestPractices/](http://www.osa.state.mn.us/BestPractices/)

<sup>13</sup> [web1.msue.msu.edu/slg/task\\_force\\_materials/FINAL\\_Task\\_Force\\_Report\\_5\\_23\\_06.pdf](http://web1.msue.msu.edu/slg/task_force_materials/FINAL_Task_Force_Report_5_23_06.pdf)

<sup>8</sup> [www.newpa.com/default.aspx?id=20](http://www.newpa.com/default.aspx?id=20)

<sup>9</sup> [www.newpa.com/download.aspx?id=45](http://www.newpa.com/download.aspx?id=45)



tal cooperation. It was envisioned that such a commission would help local government officials identify best practices in intergovernmental collaboration, identify legislative impediments to collaborative service provision, and provide assistance to local governments in creating intergovernmental collaboration.

Michigan's Task Force on Local Government Services and Fiscal Stability recommended that Michigan model a local government commission after Indiana's, which has a strong relationship between the universities and the local government associations. By learning from the examples of these other states and molding them to serve Michigan, a commission or center could help local government officials by collecting reports on intergovernmental collaboration progress, sharing information through want ads and guides, disseminating best practices, facilitating discussions on collaboration, and communicating the needs of local government to state policy makers.

### Opportunities for Vertical Collaboration

Like the counties, the state government should reflect on its own activities to consider the ways in which functions or services can be provided to help local governments operate more efficiently. Recent consideration of actions to close state crime labs illustrate the ways in which local governments can operate more efficiently by partnering with the state. Those crime labs allow local government police departments to process evidence to identify criminals and prosecute cases through the criminal justice system. Without the state crime labs, local governments would have to construct, outfit, and operate their own labs at the municipal or county level. That option would be more expensive and duplicative.

An examination of the functions performed by state government can reveal more opportunities to benefit local governments. The State Police perform other functions upon which local police departments could piggyback to the benefit of everyone. Similarly, the Michigan Department of Transportation has garages in some communities that have down periods in which local governments could benefit from the facilities and knowledge of the mechanics. Across all functions and departments, opportunities exist for local governments to benefit from state actions that make their operations more efficient.

### State Incentives for Intergovernmental Collaboration

The challenge for state policy makers that wish to promote intergovernmental collaboration to address overlap and duplication in local government services is to create positive incentives for collaboration while minimizing any side effects. One potential side effect of state incentives is that they could change the behavior of those governmental units that have already taken progressive steps to reduce service delivery costs. For instance, a program that rewards collaboration among two or more local governments, but doesn't recognize the benefits of contracting with private providers, could lead a local government to abandon a contract with a private provider in favor of an interlocal agreement with no net increase in savings, or potentially lost efficiencies. Incentives for collaboration should be built around the understanding that intergovernmental collaboration has been used by Michigan's local governments for many years.

A one-size-fits-all approach to incentives for intergovernmental collaboration, that artificially matches governments with partners without regard to the nature of the service and the opportunities to minimize excess capacity, may create collaborative ventures where savings are hard to achieve and as many failed arrangements as successes.

**Centers for Regional Excellence.** Shortly into her first term, Governor Granholm created Centers for Regional Excellence (CRE) to promote intergovernmental collaboration among local governments. CRE ([www.michigan.gov/cre](http://www.michigan.gov/cre)) provides ideas for joint ventures, best practices, tools for creating new ventures, and links to local officials that can serve as mentors based on their experience with interlocal agreements. In 2006, CRE selected seven new community partnerships that would receive \$25,000 grants and be eligible for other grants, loans, and resources for the initiation of their joint programs.

It is recommended that state policy makers consider two types of incentive programs based on a greater understanding of the role and types of intergovernmental collaboration in Michigan made possible by analysis of the *Catalog of Local Government Services*. One program should create incentives for local governments to engage in horizontal collaboration for the

provision of capital intensive services. A second program should create incentives for local governments and counties to engage in vertical collaboration for the provision of technically intensive services.

Among states with local government structures similar to Michigan's, New York, New Jersey, Pennsylvania and Wisconsin have programs to encourage intergovernmental collaboration. These states currently have in place grant programs (similar to Michigan's "Centers for Regional Excellence" program) that provide incentives to groups of two or more local governments that are considering new collaborative projects. Some of these programs allow applications only by local governments (i.e., horizontal collaboration), other programs permit and/or require county involvement (i.e., vertical collaboration), and still others permit or require participation by one or more non-profit agencies. Applications are reviewed by the states according to numerous criteria. Most allow planning grants. Only two require any reporting, documenting of results, or evidence of cost savings. None of the programs in these four states ties funds to performance, though applicants are typically required to demonstrate the potential for cost savings.

## *Incentives for Horizontal Collaboration*

Several types of programs could create incentives for horizontal collaboration. Each could be designed to capitalize on the strengths of capital intensive services that are best suited for this form of collaboration.

**Assist in the Acquisition of Capital Items.** Given the frequent use of horizontal collaboration for the provision of capital intensive services, state policy makers can promote collaboration by reducing the cost of capital items for those local governments that collaborate in the provision of those services. One method for accomplishing this would be for the state to create a loan fund or sinking fund to reduce the cost of borrowing for local governments that collaborate in acquiring, purchasing, or constructing capital intensive items.

Such a program could be modeled after Michigan's School Bond Loan Fund. The School Bond Loan Fund allows school districts to take advantage of the state's bond rating, which is often more favorable than many local governments, to lower the cost of

new bonds, and to extend the repayment period on bonds approved by local voters. The School Bond Loan Fund thus reduces the cost of capital for participating school districts, but all capital expenditures must still be financed locally. Participating school districts are qualified for participation through the Michigan Department of Treasury.

Similarly, governments coming to a capital fund could borrow for the amounts associated with new buildings such as libraries or recreation centers, vehicles such as fire trucks or garbage trucks, equipment such as radios for 911 radio dispatch, or software for GIS services. To qualify to borrow from this fund, local governments would have to be engaged, or proposing to engage, in collaboration for the provision of services. A program that lends the state's bond rating would carry no direct cost to the state. If the fund were structured as a revolving fund, the only cost to the State would be for the initial investment. After that the fund would be self sustaining, with local governments' repayments providing new funding for future borrowing. A program such as this would equitably provide funding for existing joint service arrangements, as well as newly created collaborative ventures.

**Grants to Help with Start-Up Costs.** The Fund in Maine was created to support local governments in developing joint ventures for delivering government services. The Fund divides grants into two categories: planning and implementation. No local matching funding is required for either grant program. Grantees are chosen by a committee from a pool of applicants based on a points system tied to the goals of the program, in five categories, listed in descending importance: 1) estimated property tax savings to the region over time as a percentage of the aggregate budgets of participating applicants, 2) extent and quality of collaboration among participating applicants, 3) likelihood of success in implementing and sustaining the plan, 4) the ability of other local governments to replicate the project, and 5) incorporation of innovative or unique solutions.<sup>14</sup> A contracted public-private partnership, experienced in community development, administers the grants and provides grantees with technical assistance.

<sup>14</sup> [www.maine.gov/dafs/fund.htm](http://www.maine.gov/dafs/fund.htm)

## APPROACHES TO CONSOLIDATING LOCAL GOVERNMENT SERVICES

In the State of New York, the Shared Municipal Services Incentive (SMSI) program was created to assist municipalities in consolidating local government services, cutting spending, and saving tax dollars. The program allows local governments to apply for grants to cover the costs associated with shared services plans, cooperative agreements, mergers, consolidations, and dissolutions. Funds are earmarked for existing municipal service consolidations; consolidation of local highway services; consolidation of local employee health insurance programs; new county-wide shared service programs; and the consolidation or merger of two or more local governments. Additionally, New York is offering new funding for applicants planning to merge two or more municipalities in the form of a one-time incentive grant and matching funding for any cost savings resulting from consolidation.<sup>15</sup>

New Jersey created the SHaring Available Resources Efficiently (SHARE) program to provide assistance for the study or implementation of any regional service agreement, or for the coordination of programs and services. The program provides grant funding to groups of municipalities or school districts hoping to explore and implement service sharing and consolidation. Funding is available to local governments in the form of implementation assistance grants, feasibility study grants, and grants to help county governments and non-profit regional organizations study, develop, and implement new shared and regional services, or to facilitate new shared programs among the county's towns and school districts.<sup>16</sup>

In Michigan, a grant program building off of the Centers for Regional Excellence could assist local governments through the difficult transition of consolidating existing services. Policy makers awarding grants should target specific local government services based on the opportunities for savings through horizontal collaboration in capital intensive services. Grant funds should not be tied to implementation, since some planning processes may conclude that collaboration is not likely to achieve substantial cost savings or enhanced services.

**Change State Revenue Sharing from Unrestricted to Restricted.** Recent revisions to the Wisconsin's planning laws provide grants to help local governments with the costs of the planning process. Policy makers built incentives for multi-jurisdictional planning into the grant process. Any eligible unit may apply for these grants, but those governments submitting multi-jurisdictional applications benefit in the following ways: 1) the application is given higher scores relative to other applications; 2) an additional 10 percent funding incentive is provided; and 3) the governments are given additional time to complete the plan.

In Michigan, it would be possible to transform at least a portion of the statutory unrestricted state revenue sharing program into a restricted state revenue sharing program to fund specific capital intensive services. As with the Wisconsin program, funding could be increased for those entities providing the targeted program through collaborative arrangements. Such a program would be most effective if it is targeted at services well suited to horizontal collaboration and services for which there is an opportunity for meaningful savings. An example would be for the State to create a funding program directly targeted at helping local governments with the cost of fire protection. Not all cities, villages, and townships provide fire protection, but it is widely provided either by these general purpose governments or by fire authorities. Directing the funding to specific services with incentives for collaboration would enhance efficiencies to the benefit of taxpayers.

Establishing restrictions on the use of state revenue sharing dollars would reduce the latitude local governments currently enjoy, but would permit funds from locally-raised resources to be directed to other services. Because statutory state revenue sharing has been cut so deeply to fund other state programs, few local governments would be affected by a change in focus. Funding would have to be added to the program to have a meaningful affect on local government policy makers.

**Amend Existing Restricted Revenue Sharing Programs.** State funds currently distributed to local governments through existing restricted state revenue sharing programs also could be used to create incentives for cooperation. The state currently uses formu-

<sup>15</sup> [www.fredonia.edu/crrdg/docs/NYSACguide.pdf](http://www.fredonia.edu/crrdg/docs/NYSACguide.pdf)

<sup>16</sup> [www.nj.gov/dca/lgs/share/grants/share\\_reg\\_coord.doc](http://www.nj.gov/dca/lgs/share/grants/share_reg_coord.doc)

las to distribute funding for libraries, highways, courts, and mental health services. Over the years, structural changes have been made to transfer responsibility for township roads to county road commissions and to combine county mental health departments, and collaboration exists among local governments for the provision of each of these services. But the funding formula for each of these services does not attempt to create incentives for service providers to work together. These formulas could be amended to reward positive behavior that has the net result of making state dollars go further. It would not be necessary for the state to add new funding to these programs to create incentives for collaboration, but to alter the formulas for distributing the funds currently available.

## *Incentives for Vertical Collaboration*

A second set of incentives could be created to facilitate vertical collaboration.

The state is just starting to resume funding to counties through statutory revenue sharing funds that were halted while counties shifted from winter to summer tax collection. That makes now a good time to introduce changes to the distribution formula. If the unrestricted nature of those funds were altered and the funding tied to the performance of functions for the benefit of the local governments, the capacity of counties would be expanded and local governments could become more efficient.

**Incentives for Municipalities to Contract with Counties.** Some states offer incentives for vertical collaboration. In particular, New York's Shared Municipal Ser-

vices Incentive (SMSI) program recently added priority funding and specifically allotted \$300,000 per grant for applicants developing countywide shared services plans involving half or more of a county's municipalities and school districts. Concentrating on the reduction of duplicative layers of government and service delivery improvement, the grant encourages collaboration between counties and the local governments in projects such as public safety, purchasing, payroll, tax assessment, or administration, among others.<sup>17</sup>

The most recent grant cycle for New Jersey's SHARE program categorized grants by implementation, feasibility or regional service sharing. Part of the program is targeted at county governments and countywide organizations that are able to identify potential shared service projects. Two large grants were awarded to study, develop, and implement new shared regional services or new shared programs among a county's towns and school districts.<sup>18</sup> This effort is similar to a shift in prioritization for New York's SMSI grants. Both encourage applications that focus on regional consolidation or service sharing, requiring the inclusion of counties in these partnerships.

The State of Michigan could replicate New York's Countywide Shared Service Plans program to make funds available to counties if services are provided through vertical collaboration to a specified proportion of their cities, villages, and townships. This would leave counties with the latitude to initiate provision of functions or services for their local governments that they feel especially well suited to provide or that their local governments are uniformly interested in shedding.

<sup>17</sup> [www.osc.state.ny.us/localgov/dataanstat/stateaid/smsi.htm](http://www.osc.state.ny.us/localgov/dataanstat/stateaid/smsi.htm)

<sup>18</sup> [www.state.nj.us/dca/lgs/share/index.shtml](http://www.state.nj.us/dca/lgs/share/index.shtml)

## State Actions to Promote Local Government Collaboration

### Technical Assistance and Best Practices

- Continue to spursue uniform accounting standards among local governments
- Allow joint reporting for governments collaborating in service provision
- Create structure for reporting of efficiencies, cost savings, and lessons learned through collaborative service provision
- Create online “want ads” for local governments seeking partners for collaboration
- Report examples of current collaboration efforts as best practices
- Create a new Michigan commission on local government sustainability and intergovernmental collaboration to carry out these tasks

### Opportunities for Vertical Collaboration

- Identify and make a budget priority those functions well suited to state provision on behalf of local governments

### Incentives for Horizontal Collaboration

- Create loan fund modeled after School Bond Loan Fund from which collaborating local governments can borrow for the acquisition, purchase, or construction of capital intensive items
- Offer grants to local governments that develop joint ventures for delivering government services
- Rethink the role of state revenue sharing. It is currently distributed through a formula and local governments are unrestricted in how they can use it. If the use of funds is restricted to a specific service, the method of distributing funds could reward governments providing this service in joint arrangements.
- Amend formulas for distributing restricted funds for libraries, highways, courts, and mental health services to reward governments providing these service in joint arrangements

### Incentives for Vertical Collaboration

- Tie unrestricted revenue sharing to counties to their performance of functions on behalf of cities, villages, and townships within their borders. State funds would reduce cost of particular functions when those functions are performed by the county to a specified proportion of the local governments within their borders.

## Conclusion

The functions and services provided by local government have different cost attributes that play a significant role in whether local government officials choose to provide those functions or services individually or in some form of cooperative arrangement. Analysis of current service delivery methods suggests that capital intensive services are most appropriate for horizontal cooperation, where two or more local governments collaborate to provide services common among them. Their capital intensive nature creates economies of scale in which the marginal cost of providing services to additional residents is minimal and the benefit provided great.

It is common in the current structure of service delivery to find technically intensive services provided through vertical cooperation in which cities, villages or townships contract with their county government

or the state to perform functions for which advanced expertise is needed. The technically intensive nature of these services creates economies of skill in which the cost of performing the function for additional governmental units is below what it would cost for each individual unit to hire persons with the skills necessary perform those functions.

Beyond the direction this approach gives local government officials as they investigate intergovernmental collaboration as a tool for achieving efficiencies, this approach should shape and define the role that counties and the state play in working with local governments. It should put those governments in a position of providing services to local governments and creating incentives to maximize the efficiencies to be gained through economies of scale and economies of skill.



# APPROACHES TO CONSOLIDATING LOCAL GOVERNMENT SERVICES

## Appendix A

### Coding of Services in CRC's Catalog of Governmental Services, 2005

In an unscientific way, each function and service was coded based on the necessity of the government to perform the service and economic attributes (capital intensity, technical expertise, or labor intensity) of the particular service. In the **Basic Service** column, services are coded with a one (1) when the service is optional; two (2) when there is some flexibility for policy makers; and three (3) when all governments are expected to provide for provision of the service. In the **Economic Attributes** columns, services are coded with a one (1) when the attributes are low; a two (2) when the attributes were moderate; and three (3) when the economic attributes defines the ability to provide the service.

<u>Function/Service</u>	<u>Basic Service</u>	<u>Economic Attributes</u>		
		<u>Capital Intensive</u>	<u>Technical Expertise</u>	<u>Labor Intensive</u>
(1) Document Services:				
Printing of Municipal Documents	3	1	1	2
Records/Archives	3	1	1	1
Document Destruction	1	1	1	1
(2) Human Resources:				
Training/Professional Development	1	1	2	3
Payroll/Benefits	3	1	2	2
(3) Fiscal Services:				
Property Assessing	3	1	3	3
Treasury Functions	3	1	3	3
Tax Collection	3	1	3	3
Accounting	3	1	3	3
Purchasing	3	1	2	1
(4) Information Technology:				
Management Information Systems	1	1	3	2
Geographic Information Systems	1	2	2/3	2
Website Development/Management	1	1	2	2
(5) Elections:				
Elections Administration	3	1	2	3
Records and Reporting	3	1	1	3
(6) Buildings and Grounds:				
Building Security	1	1	1	3
Janitorial Services	1	1	1	3
Cemetery Services	1	1	1	2
Mosquito/Moth/Insect Control	1	1	1	2
(7) Fleet Services:				
Purchasing	1	2	2	3
Vehicle Maintenance	1	1	3	3
Garage/Storage	1	2	1	1
(8) Refuse Collection:				
Residential Solid Waste Collection	1	1	1	3
Non-Residential Solid Waste Collection	1	1	1	3
Recycling	1	2	1	2
Landfill/Resource Recovery	1	3	1/2	1
(9) Building Regulation:				
Building Permits	2	1	2	2
Building Inspection	2	1	3	3
Code Enforcement	2	1	3	3
Well Permitting	2	1	3	3
Septic Permitting	2	1	3	3

# CRC REPORT

## Appendix A

1=low 2=medium 3=high

<u>Function/Service</u>	<u>Basic Service</u>	<u>Capital Intensive</u>	<u>Technical Expertise</u>	<u>Labor Intensive</u>
(10) Police:				
911/Radio Communications	3	2/3	1/2	2
Officer Training	1	1	3	3
Patrol/Emergency Response Street	3	2	2	3
Patrol/Emergency Response Bike	1	1	2	3
Patrol/Emergency Response Foot	1	1	2	3
Patrol/Emergency Response Horse	1	2	2	2
Patrol/Emergency Response Marine	1	3	2	2
Patrol/Emergency Response Helicopter	1	3	2	2
Detectives/Crime Investigations	1	1	3	2
Canine Unit	1	2	2	2
Emergency & Disaster Response Planning	2	1	3	3
Crime Laboratory	1	2/3	3	2
(11) Corrections:				
Jail(s)	1	3	1	1
Detention Center(s)	2	3	1	1
(12) Animal Services:				
Animal Licenses(dogs, etc.)	1	1	2	3
Animal Control	1	2	2	2
(13) Fire Protection:				
Inspection	1	1	3	3
Fire Fighter Training	1	1	3	3
Fire Hydrant Maintenance	1	1	1/2	3
Fire Investigations	1	1	3	3
Fire Fighting/Rescue	2	3	2	3
Ambulance/EMS	2	3	3	2
Hazardous Material Handling & Response	1	2/3	3	2
(14) Community & Economic Development:				
Zoning Administration & Enforcement	2	1	2	3
Engineering	1	1	3	3
Surveying	1	1/2	3	3
Community Planning & Development	1	1	2	3
Business Retention/Expansion	1	1	2	3
Business Licensing	1	1	2	3
Restaurant/Food Regulation	1	1	3	3
Public Convention Center	1	3	1	1
Promotion/Tourism	1	2	1	2
(15) Legal/Judicial Services:				
Attorney/Legal Services	3	1	3	3
District Court	1	2	3	2
Mediation or Dispute Resolution	1	1	3	2
(16) Roads and Bridges:				
Construction/Improvement	1	3	1	1
Maintenance	1	3	1	1
Winter Maintenance	1	3	1	1
Signs and Signals	1	2	1	1
Street Lights	1	2	1	1
(17) Sidewalk and Curb:				
Construction and Maintenance	1	2/3	1	1
Roadside Mowing	1	2	1	2
Beautification	1	2	1	2

# APPROACHES TO CONSOLIDATING LOCAL GOVERNMENT SERVICES

## Appendix A

1=low 2=medium 3=high

<u>Function/Service</u>	<u>Basic Service</u>	<u>Capital Intensive</u>	<u>Technical Expertise</u>	<u>Labor Intensive</u>
(18) Utilities:				
Water and Sewer:				
Water Treatment	1	3	2/3	1
Water Distribution	1	3	1	1
Sanitary Sewer Collection	1	3	1	1
Sanitary Sewer Treatment	1	3	2/3	1
Storm Water Management	2	2	2/3	1
Storm Water Collection	2	3	1	1
Storm Water Treatment	2	3	2/3	1
Water Metering and Billing	1	2	1	3
Gas	1	3	1	1
Electric	1	3	1	1
Cable	1	3	1	2
(19) Parking Services:				
Lots and Structures	1	3	1	1
Meters	1	1/2	1	2
(20) Internet Services:				
Broadband Internet Access	1	2/3	2	1
Wireless Internet(Wi-Fi)	1	2/3	2	1
(21) Transit Services:				
Public Bus System	1	3	1	2
Dial-a-Ride	1	2	1	2
(22) Airport(s)	1	3	3	2
(23) Environmental Services:				
Soil Quality and Conservation	1	2	3	2
Water Quality and Conservation	1	2	3	2
Watershed Management	1	2	3	2
Air Quality Regulation	1	2	3	1
Erosion Control Structures	1	2	3	1
Environmental Education	1	1	2	2
(24) Health Services:				
Hospitals/Clinics	1	3	3	3
(25) Parks and Recreation:				
Park(s)	1	2/3	1	2
Playgrounds	1	2	1	2
Community/Recreation Center(s)	1	3	1	2
Senior Center	1	3	1	2
Forestry Services	1	2	1	2
Golf Course(s)	1	3	1	1
Community Pool	1	3	1	2
Trails	1	2/3	1	1
Beach Facilities	1	3	1	2
Marina/Port Facilities	1	3	1	1
(26) Cultural Services:				
Museum/Art Gallery	1	3	2	1
Library	1	3	2	2
Zoo	1	3	2/3	2
Community Theater	1	3	1	2
Stadium(s)/Arena(s)	1	3	1	2
Entertainment Facilities	1	2/3	1	2