

**Metropolitan Affairs Coalition
Government Efficiency Board Advisory Team
Opinion on Government Reform**

As a coalition of business, labor and government leaders in Southeast Michigan, MAC demonstrates that problems are best addressed when all parties are at the table. MAC's Government Efficiency Board Advisory Team has reviewed the government reform proposal recently presented by Governor Snyder and has prepared this response, consistent with the MAC State Issues Platform and representing consensus of the group.

MAC acknowledges the need for shared sacrifice and structural change to address the state and region's current fiscal crisis, and recognizes the Governor for his determined and purposeful approach to local government reform as part of the solution. We suggest that there may be benefit to government consideration of some private sector practices for controlling costs. We need to reduce the cost of government to align with decreasing revenues and promote economic competitiveness, even though, as with private sector job loss, a decrease in public sector employment will impact Michigan's economy. We should consider an approach that views challenges and solutions in a regional context; makes an economic case for intergovernmental cooperation; reduces impediments and creates incentives for local governments to deal with fiscal realities and strengthen their communities; and encourages/requires governments to work in partnership with employees, and share information with taxpayers.

MAC also believes that while local governments need to be cost effective, they must have the resources to provide high quality essential services for business and talent attraction, and quality of life for citizens.

Within this framework, MAC offers the following perspective around key provisions of the Governor's local government reform proposal.

Change from Statutory Revenue Sharing to Economic Vitality Incentive Program (EVIP)

MAC supports the basic concepts of rewarding best practices, providing incentives and flexibility for serious cost control, and ensuring the delivery of vital public services for all local governments. We offer these suggestions for implementation of EVIP legislation recently passed:

Accountability and Transparency

- Collecting or retrieving relevant data for an On-Line Performance Dashboard will be a challenge for many communities.
 - In addition to audited financial statements, communities should be encouraged to post current monthly or quarterly fiscal performance data.
 - The cost to those communities without readily available data or personnel to create a Dashboard should not become an unfunded mandate.

- To ensure consistency and uniformity, provide guidance to communities, and promote benchmarking, the State should draw upon expertise from this group and others to create a template for Performance Reporting.
 - Dashboard content should include carefully selected metrics that are relevant to and will encourage improved performance; more fully inform taxpayers; replicate best practices; drive budget decisions; and begin to allow for comparability between communities. Examples might include per capita expenses, police staffing levels (per crimes committed), state and federal funding received, etc.
 - Dashboard content should be at a high level, and include simple, easily understood metrics presented in lay terms/language.
- A community's size, demographics, fiscal capability, community character, etc. should be taken into account when creating and maintaining Dashboard metrics, and comparing them across communities.

Service Consolidation Resulting in Taxpayer Savings

MAC supports incentives to encourage communities to work cooperatively to provide services. We encourage creation of an on-line catalogue of best practices with successful examples, as well as education programs on the benefits of service consolidation and cost sharing, and how to implement.

- Awarding of incentives for service collaboration should provide funding for study of the critical issues, help to cover start-up and implementation costs, and include investment/match by the local community.
- The definition of collaborative projects qualifying for incentives should be expanded to include the ability to establish regional authorities that provide improved or new, more-cost effective services such as wastewater treatment, regional transit, and fire service.
- Different incentives should be considered for larger units of government (cities/counties) that already are sharing services and have many economies of scale due to their size.
- Communities that have collaboration/service sharing successes in the recent past should be acknowledged and incentivized in the Economic Vitality Incentive Program.
- State incentives for service collaboration should recognize both short and long-term savings, as well as future cost increase avoidance.
- More significant investment by the state is required to seriously encourage local government consolidations and mergers.

Employee Compensation Reforms

- It is presumed that all employee compensation parameters outlined at the State level will be negotiated through the local collective bargaining process.
- Employee compensation reforms for new hires, outlined at the State level, can generate long-term savings.

- Compensation reductions already negotiated among existing employees through positive management and collective bargaining practices should be acknowledged and incentivized in the EVIP, with a baseline date set for past accomplishments.
- Limits on pension spiking should be implemented for all employees.
- The biggest challenge in controlling compensation costs is to control health care costs.
 - The ultimate goal should be healthcare plan redesign, including improved efficiency through increased consumer control and responsibility, rather than arbitrarily setting premium or service co-pays, which is only a short-term solution.
 - Consider pooling or other creative collaborative solutions to reducing health care costs.

Consolidation of Jurisdictions

- MAC supports creation of opportunities and streamlining of processes for consolidation of jurisdictions.
 - Consider creation of a broad-based, representative Blue Ribbon Panel to thoroughly investigate, analyze, evaluate legal barriers, provide guidelines, create a process, and articulate benefits and value of consolidation of jurisdictions and school districts.
- Consolidations should be enabled across the state and across all levels of government.
- Barriers posed by legislation and the role of the State Boundary Commission should be examined to expand and streamline annexation as a tool for local government consideration.

Ensuring Collective Bargaining at the Appropriate Time

- MAC supports amending legislation to call for immediate negotiation of contracts by merged or consolidated jurisdictions and local service providers.
 - A new contract should be in place before old contracts expire.

Amending the Public Employment Relations Act

- As service mergers are considered and implemented, the provisions of the Public Employment Relations Act must be honored. However, communities should not be charged with unfair labor practices merely because they have merged services.

Reforming Binding Arbitration for Police and Fire (Act 312)

- MAC concurs that, as provided for in Act 312, a community's ability to pay must be a significant factor in arbitration decisions under the Act.
 - Ability to pay should be defined to reflect retention of appropriate levels of fund balances, as well as both current and long-term fiscal stability.
- Internal salary and benefit comparisons should also be considered, rather than merely focusing on comparisons to other communities.
- The arbitration process should be completed within 90 days to improve efficiency, reduce uncertainty, and cut costs.

- Arbitrators should have education, certification, process standardization, and other tools to promote consistency in rulings.

Prohibit Arbitrary Minimum Staffing Requirements

- MAC concurs that any consideration of minimum staffing requirements should be a part of labor negotiations conducted by professionals who understand the issues and are familiar with the community.

Implement Local Pension Board Best Practices

- Safeguards, oversight, standards, and transparency should be established for all communities utilizing local pension boards.

Eliminate Unfunded Mandates

- In these difficult financial times for all local governments, unfunded mandates should be prevented and avoided.
- Headlee Amendment review of mandates and their funding should be enforced.
- Fiscal implications of all state legislation and regulations should be identified, and state budgets adjusted accordingly, with evaluation of the financial impact on local governments and school districts.

We suggest that these new legislative efforts and subsequent actions be reviewed at appropriate intervals to determine their relevance/value and need for revision/modification.

Note: MAC's Government Efficiency Opinion Paper was approved by a majority vote of its Board of Directors, but does not necessarily reflect the opinions of all members or member organizations, which may disagree or hold stronger positions on certain points.

The Metropolitan Affairs Coalition (MAC), a non-profit public/private partnership, is the only group in Southeast Michigan that brings business, labor and government together to build consensus and seek solutions to regional issues. It promotes regional cooperation and dialogue, and works to advance policies and develop programs that enhance the region's economic vitality and quality of life. With its partner organization SEMCOG (the Southeast Michigan Council of Governments), and the diverse perspectives of its members, MAC is uniquely positioned to be a catalyst for change and help move the region and state forward. For more information about MAC please go to www.mac-web.org.