

CITY OF MIDLAND CONSOLIDATION OF SERVICES PLAN

Introduction

With the passage of P.A 63 of 2011, also known as the Fiscal Year 2012 Appropriations Act, the Michigan Legislature revised the state revenue sharing structure that had been in place for several years. Historically State Shared Revenue had two parts: Constitutional and Statutory. The revised structure does not change the Constitutional component; however, the Statutory component is eliminated and replaced with a new program called the *Economic Vitality Incentive Program (EVIP)*. Under EVIP a city, village, or township can receive additional revenue sharing beyond the Constitutional portion by demonstrating the use of certain “Best Practices” in each of these three categories: 1) accountability & transparency, 2) consolidation of services, and 3) employee compensation.

The *Consolidation of Services* category originally focused on service cooperation, collaboration, and consolidation. In 2013 this category was expanded to also include innovations and privatizations. The information provided herein will illustrate the City’s long-standing practice of intergovernmental cooperation. It will detail many of the successful past endeavors that are still in practice today, as well as any updates to those collaborative efforts. It will provide an update on those opportunities that were targeted for exploration during the current fiscal year, as well as provide a future opportunity for consolidation. This document will also illustrate the City’s compliance with demonstrating best practices associated with the second category, consolidation of services.

Intergovernmental Cooperation and the City of Midland

The City of Midland and the broader Midland community have long understood that through cooperation and partnerships public institutions can benefit taxpayers by enhancing capacity, improving efficiency, and reducing costs. The City works closely with many groups and organizations in this regard and recently has been working directly with the Midland Education and Government Collaborative which is comprised of the City, Midland County, Midland Public Schools, and the Midland County Education Services Agency (MCESA). Following is a general inventory of benefits that have come from these collaborations.

Existing Examples of City of Midland Collaboration

- Saginaw Midland Municipal Water Supply Corporation (SMMWSC) jointly owned by the cities of Midland and Saginaw. This system provides raw water to the water treatment plants of both municipalities, thus eliminating the need for each City to fund separate water

supply infrastructures. On February 21, 2013, the SMMWSC entered into a 40-year wholesale raw water contract with Bay County to supply water to the various local units of Bay County. This agreement will significantly reduce the amount of infrastructure investment required in order to provide quality raw water to Bay County. Also, the additional units sold to the new customers will provide for greater spreading of the fixed costs of the SMMWSC, thus reducing everyone's per unit costs. It is expected to reduce the 2016 City of Midland's raw water costs by approximately 25%.

UPDATE FOR 2014

Approximately \$4.0M of capital improvements will be made by SMMWSC to supply Bay County raw water, with construction of the improvements to start in April 2014 and be completed by December 2014. Bay County's plant is scheduled to begin operating and using SMMWSC raw water by August 2015. There are currently no barriers anticipated for this endeavor.

- MBS International Airport is jointly owned by the cities of Midland and Saginaw, and the county of Bay, providing service to the residents and citizens of the Great lakes Bay Region. Such a facility would likely not be possible were it not for the result of the pooled resources and demands of all three communities. On October 26, 2012, MBS celebrated the opening of a new 75,000 square foot passenger terminal. The new facility, construction without local tax support, incorporates new mandated security features and traveler conveniences. This project was completed almost one year ahead of schedule.
- Midland County Central Dispatch is an authority created by the City of Midland and Midland County to provide first responder (law enforcement, fire, and EMS) dispatching services to sixteen townships, the City of Coleman, the City of Midland police and fire departments, and Midland County Sheriff. This service is the consolidation of separate dispatch centers previously maintained by the City of Midland Police Department, the City of Midland Fire Department, and the Midland County Sheriff's Department with a civilian dispatch service. Prior to Central Dispatch the three dispatch centers were staffed with law enforcement and fire personnel.
- M.Co.Net Fiber Optic Network is a consortium created by the City of Midland, Midland County, and the Midland County Educational Service Agency that provides high-speed communications with essentially unlimited bandwidth via a fiber optic network connecting all municipal facilities in the City of Midland, all county facilities in Midland County, and all school facilities in Midland County as well as providing service to participating non-profit organizations. This service has created significant cost reductions in telephone and telemetry charges for all participating governmental units.
- The City of Midland and Midland County created the Joint Building Authority, which constructed, owns and maintains the Midland Law Enforcement Center that houses the Midland Police Department, the Midland Sheriff's Department, and the Midland County

Central Dispatch Center. The Michigan State Police also maintain offices there, as well as the Michigan Department of Natural Resources. This facility provides a more up-to-date home for the Midland Police Department and Sheriff's Department, which were previously housed in limited space in the basement of the County Courthouse.

- The City of Midland has entered into Library Service Agreements with several townships in Midland County that provide for township residents to borrow library materials from the Grace A. Dow Memorial Library. In exchange, those townships under this agreement pay an annual fee to the City. This service eliminates the need for individual participating township residents to purchase a \$75.00 annual library card. It also eliminates the need to construct additional libraries within Midland County
- The City of Midland has entered into a solid waste disposal agreement with all sixteen Midland County townships, the City of Coleman, and the Village of Sanford. This agreement provides their access to the City's sanitary landfill at fees equal to City of Midland resident fees. In exchange, they pledge their support of the Midland County Solid Waste Plan, which specifies the sanitary landfill as the primary solid waste disposal solution for Midland County. With these agreements still in place the Midland Landfill captures methane gas, a byproduct of waste decomposition, and converts it to electricity. Not only does this remove a material harmful to the earth's atmosphere from the environment, it enhances quality of life for residents near the facility by capturing the odor producing gas. Electricity produced from this process is then sold to the Dow Chemical Company.
- As a municipality exceeding 10,000 in population, the City of Midland has the option to prepare its own emergency services plan in accord with P.A. 390 of 1976. However, the City of Midland has declined this option and participates in the Midland County Emergency Management program.
- The City of Midland provides treated water on a wholesale basis to Water District No. 1 of Midland County (Edenville, Hope, Lee, Lincoln, Jerome townships and the Village of Sanford) and the City of Auburn. In addition, the City of Midland provides water on a retail basis to the townships of Midland, Homer, Larkin, and Mills. The retail customers benefit from purchasing water at city resident rates and receiving operations and maintenance, and billing services from the City of Midland as opposed to hiring its own water department.
- The City of Midland participates in the State of Michigan purchasing program that takes advantage of the purchasing power of the state resulting in reduced prices on such essential commodities as road salt and vehicles. In certain instances, the City also utilizes preferential pricing obtained by Oakland County.
- Rather than engage in its own economic development activities such as other municipalities, the City of Midland collaborates with Midland Tomorrow in a joint county-

wide effort in recruiting and retaining industrial investment. The City contributes a fee to Midland Tomorrow for this service.

- The City of Midland shares a portion of its cable franchise fee and cable access channel capacity with Midland Public Schools. This facilitates greater utilization of the network and helps reduce the program costs of Midland Public Schools.
- In cooperation with Midland Public Schools, the City has purchased and installed playground equipment at some elementary schools to provide recreational opportunities in neighborhoods deficient in city park land playgrounds.
- The City of Midland has entered into Urban Cooperation Act agreements with Larkin, Midland, Homer, Lincoln, and Ingersoll townships in which property tax revenue is shared upon properties annexed to the City within the Midland Urban Growth Area boundary. The City benefits by expanding its tax base and water distribution network.
- Heavy equipment - Certain pieces of equipment may have reached the end of their useful lives in terms of efficiently contributing to the ongoing operations of the City. However, these same pieces of equipment can still provide useful service to Midland Public Schools (MPS) at a much reduced cost than buying new. To that end, the City offers these pieces of equipment to MPS before being auctioned off by City.

ITEM BEING RESEARCHED

- Examination of consolidation of transportation services. The City, County, and public schools each operate a bus transportation network. While each services a slightly different need and customer base, there are many similarities that could provide opportunities for savings from collaboration.

UPDATE FOR 2014

This topic is still being considered as a possible area for collaboration and will be examined in the future to determine if there are efficiencies to be gained. The amount of any potential savings has not been determined at this time.

Timeline: *This topic became an item of consideration of the MEGC in April 2010. The process was stalled for several months when a new dispatching program failed to deliver the efficiencies promised (see below). It is expected to conclude by the end of the City's fiscal year ending June 30 2015.*

Obstacles: *It was reported to the MEGC, by its loaned transportation consultant from the Dow Chemical Company, that the most likely opportunity to affect costs rested with dispatching operations. In FY 12-13 the City of Midland began implementing a new dispatching platform in its demand response transportation system. That platform proved*

to be ineffective, causing a decline in efficiency. After several months the new platform was scrapped, and the previous platform was resurrected and updated. This work is still ongoing.

2014 SUMMARY OF AREAS OF POTENTIAL COLLABORATION IN PROCESS

- The Saginaw Midland Municipal Water Supply Corporation expanding its customer base to include Bay County and neighboring townships. See Page 2 for details
- Consolidation of transportation services. Continuation of 2012 initiative. See page 4 for details.

NEW FOR 2014: AREAS OF COOPERATION, COLLABORATION, CONSOLIDATION, INNOVATION, OR PRIVATIZATION

- **INNOVATION**

The City's Civic Arena was built with 3 sheets of ice. Due to declining student enrollment in the area schools, and ongoing economic challenges, the demand for ice time has declined significantly. Three years ago the City consolidated the ice scheduling to utilize two sheets of ice and made the third sheet a dry floor. Throughout the 2012 calendar year we researched the local market as well as neighboring communities and local user groups to determine if there was adequate interest to support converting the dry floor of the third sheet into a year-round indoor turf facility. We were able to determine that adequate demand for such a facility existed; however, we did not have the adequate funding to proceed. In February of 2013 we submitted a grant application to a local foundation, and in March were awarded a grant that funded this project. Partnering with the local philanthropic community, the City converted the dry floor of the third arena into artificial turf to create an indoor venue for soccer, lacrosse, and many other activities. This new repurposed recreational facility is expected to provide \$50,000 of additional revenue for the year ending June 30, 2014. No obstacles are expected.

- **INNOVATION**

The City completed its VOIP telephone system rollout in calendar year 2013. The Asterisk VOIP phone system project can be traced back to May of 2008 when a new phone system was needed at a remote City location. This was a low cost solution and enabled the location's phone system to be fully integrated into the pre-existing Avaya phone system already in place at all other City locations. In November 2011 and July of 2012 this was duplicated at two other remote City locations. The reliability and functionality of the Asterisk system rivals that of Avaya at a much reduced cost. A cost analysis of switching the entire City phone network to Asterisk was completed in October 2012. In 2013, seven Avaya phone systems were replaced with an Asterisk-based, open-source telephone system that will save the City \$13,500 in annual maintenance. The City simultaneously migrated to a new voicemail platform that will save an additional \$4,500 in annual maintenance. The old phone and voicemail systems were scheduled to be replaced and had been in service for

almost 16 years. The combined replacement has a payback of 30 months. Total annual savings of \$18,000 will start immediately with no obstacles.

- **PRIVATIZATION**

In October of 2013 the City awarded a competitively bid contract to Billy Casper Golf to provide complete management service for the City's 45-hole golf complex, effective January 1, 2014. The City is currently contributing \$540,000, per year, to eliminate an accumulated working capital deficit in the Golf Course Fund, as well as offset an annual operating loss. By June 30, 2017 it is expected that the deficit will be eliminated and the General Fund contribution will no longer be required. Annual savings will increase beginning in the City's 2014/15 fiscal year and reach \$540,000 for the year ended June 30, 2017.

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