

Identification of the Common Salient Characteristics of Successful Intergovernmental Cooperation and Consolidation of Governmental Services in Kent County

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April 14, 2012

INTRODUCTION AND EXECUTIVE SUMMARY

The W.E. Upjohn Institute for Employment Research has been contracted by Kent County to conduct two analyses:

1. Identify salient characteristics or factors that have been associated with the creation of government collaborations in West Michigan.
2. Examine the historical impact of successful governmental consolidation initiatives on the economic performance of other metropolitan areas and contrast these findings to the current situation in Kent County.

This report provides the research findings that address the first of these two tasks. It is an avenue of study that has been well traveled. Numerous reports have already identified the many successful intergovernmental collaborations in Kent County, and other reports have laid out the potential advantages and disadvantages of government collaboration efforts in general. While this report will touch upon these findings, its focus is slightly different; its objective is to identify the factors or characteristics that are typically associated with government collaborations that have succeeded here in West Michigan. In doing so, the report also identifies factors that can impede collaboration initiatives.

The report findings are based on a review of studies that have already been completed in Kent County, as well as, findings derived from media reports and one-on-one interviews with governmental officials and community stakeholders. The selected individuals interviewed during the development of this report are listed in the appendix. While this is clearly not a complete list of the county's government leaders, the overlapping comments we heard suggest that we

successfully reached a consensus on the key factors that were associated in the development of successful governmental partnerships and collaborations in Kent County.

In our interviews of selected governmental leaders and stakeholders in Kent County, the one key factor for successful collaboration initiatives that was identified, again and again, was trust. Only when government leaders trust each other can ideas be shared, solutions offered, and agreements reached. In turn, trust is built through the cultivation of personal relationships that can require many years to form. These relationships can be and are enhanced by the creation of formal and informal organizations where government leaders can meet.

Trailing after the need for the establishment of trust, the following social, project-specific, commonality of structure characteristics are also associated with successful governmental collaboration effects.

1. Social Factors

- a. Frequent meetings, formal and informal, among government leaders that allow for the sharing of ideas and concepts.
- b. A history of successful partnerships. While it is an old adage, it is still true: success breeds success. The flip side is that if the first attempt is a failure, it may take years before another attempt is tried.
- c. Strong but careful leadership. The project must have a champion; however he or she cannot be too heavy handed.
- d. Partners share both a common vision and sense of place.

2. Project-Specific Factors

- a. The project is a clear “win-win” proposition in that it lowers cost or improves the quality of the governmental service. In our review of successful collaboration efforts in Kent County, the expected benefits of improved services appeared to be more important than possible cost savings.
- b. The collaboration will address a specific need for a governmental service for area residents or businesses.
- c. It is a “backroom” function that has limited interaction with the public at large, such as shared purchasing or the training of public safety officers.
- d. It is a “non-core” activity of the government unit; for example, public transit and workforce training.
- e. It is an activity that requires significant capital expenditures that can be shared by the partnering communities.
- f. It provides a level of expertise that would not be available to the government’s residents otherwise.

3. Commonality of Structure

- a. Intergovernmental collaborations are more likely to occur when the partnering governments share the same cost structure and perform similar services. For example, partnerships between townships and those between cities are easier to construct than partnerships between cities and townships.

- b. At the same time, partnerships between governments that on are on different administrative levels, such as county governments and cities or townships, have also been successful. Kent County can boast of a long list of partnerships it has developed between itself and the county's cities and townships.
- c. Collaborations are more feasible when the partnering governments use the same technology platform such as accounting and tax assessment software packages. The same is true when their services use the same delivery system. For example, it is more feasible for two cities to enter consolidation discussions regarding public safety if both have separate fire and police departments than if one has a combined public safety department.

Finally, while successful government collaborations have been shown to generate positive results, it is uncertain if they push the county forward in addressing demographic and economic trends that can impact the well being of the region. For example, as more and more of the county's residents live outside its major cities, the ability of the core communities to provide services to all of its residents is threatened. It is questionable if the regional vision and comprehensive strategy necessary to address this trend will be developed through collaborations that entail only specific projects and services.

EXISTING RESEARCH ON GOVERNMENT COLLABORATION EFFORTS

The clearest reason to explore government collaborations is when there is strong evidence that they can lower the cost of delivering government services and/or improve the quality of government services provided. Given the current economic situation where state revenue sharing is declining and voters have little appetite for new taxes, local governments have a strong incentive to find cost-saving collaborations.

The Michigan Government Finance Officers Association (MGFOA) makes the argument that local governments should see themselves as part of a regional "team" which strives to provide the most cost-efficient public services possible to its regional customers. Therefore, according to the MGFOA, inter-community competition must be avoided and, instead, efforts should be pursued to establish cooperative intergovernmental agreements.¹

These collaboration efforts can be between similar levels of governments such as cities or townships, which are referred to as *horizontal agreements*, or they can be between governments that operate at different levels, such as the state, the county, and cities or townships. These are labeled *vertical agreements*. Public and private partnerships also exist, especially in the field of economic development.

Horizontal agreements are typically based on the benefits of sharing capital-intensive services such as a wastewater treatment, water systems, or fire equipment. In these situations, economics

¹ Michigan Government Finance Officers Association, *Justifying Interlocal Cooperation: Feasibility Studies, Financing and Cost Allocation A White Paper from the Michigan Government Finance Officers Association*, (no date) p. 2.

of scale exist so that it can be more cost effective to have one large system than two or more smaller systems. Vertical agreements can also rest on economics of scale, the county jail, for example; however, they are also likely to depend upon gains from “economies of skills.” This is because it is often impractical for neighboring cities or townships to have their own specialized services, such as crime labs and air quality control.

Finally, there can be significant costs savings in contracting out services to private providers. Common examples are electric and gas utility companies and telecommunications.

Table 1 lists the most common types of horizontal agreements, vertical agreements, and agreements with private providers for local governments in Michigan in 2005, as compiled by the Citizens Research Council (CRC).

Table 1: Citizens Research Councils 2005 Survey of Local Governments

Services with the Highest Levels of Horizontal Collaboration	Services with the Highest Levels of Vertical Collaboration	Services with the Highest Levels of Private Providers
Water Treatment	Police Patrol – Marine	Cable Utility
Library	Restaurant/Food Regulation	Gas Utility
Sanitary Sewer Treatment	Police Patrol – Helicopter	Internet Access
Fire Fighting/Rescue	Jail(s)	Electric Utility
Public Bus System	Police Patrol – Horse	Wireless Internet (Wi/Fi)
Stadiums/Arenas	Crime Laboratory	Non-Residential Waste Collection
Water Distribution	Air Quality Control	Surveying
Sanitary Sewerage Collection	Detention Center(s)	Engineering
Fire Fighter Training	Septic Permitting	Attorney/Legal Services
Building Inspection	Well Permitting	Residential Waste Collection

SOURCE: Citizen’s Research Council of Michigan. *Streamlining Local Government Service Delivery in Lenawee County*, January 2012, Report 375.

The Michigan Government Finance Officers Association (MGFOA) has developed their own list of reasons for local governments to enter into cooperative agreements. As show in Table 2, MGFOA sees cooperative agreements as an effective means to improve the quality of service, while controlling costs and enhancing community relations.

Table 2 MGFOA List of Reasons for Pursuing Interlocal Cooperation

Service Provision
Increases manpower to improve service levels
Improves employee performance and morale
Enhances career opportunities for staff
More efficiently uses personnel and their talents
Decreases response times
Improves quantity and quality of services
Reduces duplication of services
Broadens resource accessibility/utilization

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

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

SOURCE: Michigan Government Finance Officers Association, *Justifying Interlocal Cooperation: Feasibility Studies, Financing and Cost Allocation* (no date) p. 2.

At the same time, in our one-on-one interviews with area government officials, there were several concerns raised that there may be limits to the number of services that should be provided by governmental collaboration partnerships. First, several voiced the concern that labor-intensive services that are directly utilized by the public are best delivered directly by the local government agency. Such services are apparently seen as being the public face of government, which should not be handed over to outside parties. Examples of assessor and building permit services, and public safety were cited several times. However, at the same time it is argued that “residents and businesses are less concerned about *where* their services come from than they are about *quality* and cost-effectiveness of the services themselves.”²

Second, the level of service quality varies between governmental units depending upon the needs and expectations of their residents and revenue constraints. This can make it very difficult for adjoining governments to share services if their service standards are not similar. An example is the number of full-time fire personnel that are expected to respond to a standard fire call. In addition, legacy costs such as retirement funds and unionization can cause serious cost differences to arise between communities. Also, the need for government autonomy on the part of government officials can limit the range of collaborative agreements, even if there is evidence that they can reduce cost.

² Michigan Government Finance Officers Association, *Justifying Interlocal Cooperation: Feasibility Studies, Financing and Cost Allocation A White Paper from the Michigan Government Finance Officers Association*, (no date) p. 1.

Finally, collaboration agreements on the delivery of services can be delayed because the location of existing buildings were placed to serve the needs of the city's residents and not the needs of regional residents. For example, if two cities considered an agreement to merge their fire departments, it may require the construction of a strategically located fire station and new vehicles. The same can be true in efforts to combine other long-term investments such as IT systems. Although such moves could generate long-term savings, in the short-run they could be costly.

EXAMPLES OF COLLABORATION AND NECESSARY CONDITIONS

Government collaborations are already well established and well documented in West Michigan.³ Kent County—in its 2011 update of intergovernmental collaboration efforts— was able to tally 104 effective collaboration efforts in the county.⁴ Area municipalities, townships, and the county have all been involved in varying levels of collaboration efforts over the years, ranging from joining boards and commissions, to contractual service provision arrangements, and to the creation of joint service operations. Most of these efforts have proven successful and can provide some insight into the conditions necessary for collaboration to take place.

To gather insight on the criteria for government cooperation in West Michigan, seven existing collaborative government service provision situations were examined. The collaborations were selected from two lists compiled separately by both Kent County and by the OneKent coalition.⁵ In order to simplify the analysis and focus on situations where government agencies truly worked together (as opposed to simply talking together or sharing representation on a board), the selected collaborations were limited to instances where two or more governments were active in the operation of a service entity or the direct provision of services that represented a change in the way these services were formerly provided. Instances where multiple governmental entities shared information, planning activities, or financing were excluded, as were “one-time only” collaborations.

The following list describes the collaborations examined.

- **Convention and Arena Authority** – The Van Andel Arena and the DeVos Place Convention Center are owned and operated by this joint governmental authority.
- **Grand Valley Metropolitan Council (GVMC)** – Thirty-four governmental entities jointly fund and operate the GVMC, which provides regional planning services to its members, as well as serving as a venue for discussing joint governmental services.

³ A very complete listing of government cooperative agreements among the six major cities in Kent County was compiled by the Citizens Research Council of Michigan in its report: *Streamlining Functions and Services of Kent County and Metropolitan Grand Rapids Cities*, October 2009, Report 357.

⁴ Kent County Government, *Collaborative Efforts, 2011 Update*, December 2011.
<http://www.accesskent.com/CourtsAndLawEnforcement/CollaborativePartnerships/>

⁵ The source documents are as follows: *Collaborative Efforts – 2010 Update*, Kent County Government retrieved from www.accesskent.com; *One Kent – Together for Growth*, One Kent Coalition, June 2011, p.7.

- **Financial services** – During the past five years, Kent County has partnered with the City of Grand Rapids to provide appraisal services for commercial and industrial properties and deed-splitting services. In 2010, the County’s Purchasing Office opened its electronic “Reverse Auction” process to all local units of governments in the county.
- **Law enforcement including emergency dispatch** – The County has formed numerous partnerships across the wide range of activities associated with law enforcement. In addition, the major municipalities and the county entered into an Agreement to create the Kent County Dispatch Authority which resulted in the consolidation of the call-taking function.
- **Public transit (Interurban Transit Partnership - The Rapid)** – The Rapid is an independent Authority with a 15-member board of directors that represent the six municipalities in The Rapid service area.
- **Trails and parks** – Kent County has collaborated with local governments in providing public access to many of its natural attributes. This is clearly seen in the development of the 15-mile Kent Trails which follows the Grand River through the cities of Grand Rapids, Grandville, Walker, Wyoming, and Byron Township along an abandoned rail line.

The conditions that made these collaborative efforts possible were examined in several different ways. First, historical media records were searched for published information on the initial planning and formation that was associated with each collaboration. Findings on the conditions discovered in this analysis of media records are discussed in the remainder of this section. Second, Upjohn Institute researchers contacted local leaders and the staff of the collaborative governmental service agencies to discover their views on the formation and the success of the efforts. The views of these local leaders are detailed in the next section.

Reported Conditions Surrounding Collaboration

News reports from around the time of the formation of each of the major listed government collaborative activities suggest that necessity is the common driver of collaborations. However, these same reports also suggest that efforts to work across governmental boundaries are typically confronted with resistance and controversy—even when the collaborations ultimately move forward and prove successful.

Perhaps one of the strongest examples of need driving collaboration can be found in the creation of the Kent County Dispatch Authority in 2007. Although discussions about the possibility of combining efforts began earlier in the decade, questions about costs, funding, and operation of the system caused plans for a centralized dispatch system to stall out.⁶ In 2006, the issue resurfaced, and around the same time two separate heart attack victims died in instances where a delay in emergency response was associated with difficulty in dispatching the correct responders.⁷ In one instance, an emergency dispatcher in Grandville received the 911 call and had difficulty reaching the correct police and fire departments in Wyoming that could most quickly respond to the emergency.⁸ By 2007, an emergency dispatch authority formed and the

⁶ Barton Deiters. “City Stalls Central Dispatch” (*Grand Rapids Press*, September 7, 2006).

⁷ Barton Deiters. “GR Ready to Join Dispatch System” (*Grand Rapids Press*, September 27, 2006).

⁸ Ken Kolker. “911 “Call Frustrates Dispatch Workers” (*Grand Rapids Press*, September 26, 2006).

efforts began to consolidate dispatch efforts into a smaller number of compatible systems. In this instance, service performance and the need to take advantage of changes in telecommunications technologies appears to have been a driving force behind the collaboration.

In the case of the waste-to-energy garbage incinerator, it was the perception of a future problem of limited landfill space that induced the six municipalities and the county to agree to a solid waste management system that included the construction of the WTE in 1988. The project faced major hurdles because it initially raised dumping costs for area garbage haulers and also because of resistance from environmental advocates.⁹ Ultimately, the group worked together to push the project forward and promised increased curbside recycling programs and a long-term reduction in garbage costs after the mortgage was paid off. In 2010, the facility was paid off and the operating group reduced the fees charged to private haulers for dumping garbage.¹⁰

Perhaps the most contentious government collaboration to occur in Kent County in recent years was the formation of the Grand Valley Metropolitan Council (GVMC) in 1990. The effort began in 1988 following the approval of the concept by Kent County and the drafting of State legislation by local officials in order to allow for the new type of council to be created. Although the effort ultimately moved forward, newspaper reports from the time indicate that the process was highly controversial.¹¹ Proponents of the GVMC saw the effort as a way to bring together and simplify the planning process; however, critics of the proposal suggested that the metro council would act as another layer of government or that it could reduce accountability and control for the local governmental units that participated.¹²

News reports from the era also revealed that old grudges possibly played a role in the differing views between communities as to whether or not to support the creation of the GVMC. For example, old disputes between the cities of Wyoming and Grand Rapids over sewer and water issues were brought up during discussions of the GVMC proposal.¹³ The climate of the time and the discussion of the GVMC's formation appear to have been combative in many instances. As a result of these past disputes, numerous public meetings were held in the county's townships and cities to discuss whether or not to join and support the GVMC during its formation, with some choosing to join and others deciding to opt out.

The jury is still out, unfortunately, on whether GVMC can reach its full potential. Its success has been limited because it is a voluntary body without enforcement powers. A clear challenge to its effectiveness has been the townships' and cities' statutory rights to prepare their own land use plan and zoning ordinances. Since countywide planning is not feasible, the GVMC "Blueprint," which has been well-regarded, has no enforcement mechanisms.

Another challenge facing GVMC is its funding structure. As the county's Metropolitan Planning Organization (MPO), a large portion of its budget is funded by the U.S. Department of

⁹ Elizabeth Sowik, "Kent Incinerator Panel Needs to Map Strategy" (*Grand Rapids Press*, June 23, 1988).

¹⁰ Jim Harger. "Mortgage Incinerated, Payoff Likely to Bring Lower Garbage Rates" (*Grand Rapids Press*, November 11, 2010).

¹¹ A search of the Grand Rapids Free Press archive index lists 78 articles and editorials on the topic of the GVMC that were published in 1990.

¹² Gerald DeRuiter. "2 Mayors Disagree on Creation of Council" (*Grand Rapids Press* March 8, 1990).

¹³ Juanita Westaby. "Bury Hatchet with GR, Official Says" (*Grand Rapids Press*, September 20, 1990).

Transportation. While this has given the organization a stable funding source, several interviewed public officials worry that it has also steered the organization away from providing more technical assistance to its member governments.

The formation and ongoing operation of other intergovernmental collaborations in West Michigan have been less controversial and more pragmatic in nature. The formation of a convention and arena authority was pragmatic, with the city and county coming together to jointly operate and maintain financial responsibility for the Van Andel Arena and the DeVos Convention Center because they were recognized as assets with a benefit to the wider community. Several of the county's local governments, including Grand Rapids, have contracted with the county to appraise their commercial/industrial properties. The Rapid (formerly the Grand Rapids Area Transit Authority or GRATA) is simply a collaboration between the communities that have the most demand for public transit. For the five cities, it freed general fund dollars for other governmental services. News reports mention little controversy when the five cities involved in GRATA at the time moved to form a taxing authority to levy a millage for improved services.¹⁴

Several intergovernmental collaborations have saved the participating governmental units thousands of dollars. For example two times in the past 15 years, the County partnered with the City of Grand Rapids on the issuance of bonds for floodwall improvements, which allowed the city to take advantage of the county's AAA credit rating, saving it a total of nearly \$700,000 over the life of the bonds.¹⁵

In addition, the County has provided an opportunity for local units of government to partner and reduce costs by providing centralized printing services to the Cities of Grand Rapids, Kentwood, Rockford, the Village of Sparta, The Rapid, and the Grand Rapids DDA.

Moreover, in 2010, the County's Purchasing Office opened its electronic "Reverse Auction" process to all local units of governments in the county. In a reverse auction (or an e-auction), service providers submit their lowest bids for a requested service or good in an open internet environment. The auction offers a transparent environment for sellers and consistently generates lower bids than other auction processes. The county estimates that it realized savings of greater than 15 percent on commodity purchases due solely to using the reverse auction process. As of the end of 2011, 13 local governments have used the county process and Ottawa County is working with the county to set up a similar system.¹⁶

Finally, the County Treasurer has opened its financial investment program to local units of governments. As of 2011, more than 20 local governments and governmental authorities are participating, including the City of Grand Rapids.

¹⁴ Margarita Bauza. "Area Mayors Create GRATA Tax Panel" (*Grand Rapids Press*, August 19, 1999).

¹⁵ Kent County Government, Intergovernmental Cooperation, 2011 Update 2011, pg 1

<http://www.accesskent.com/CourtsAndLawEnforcement/CollaborativePartnerships/>

¹⁶ *Ibid.* p. 3.

Summary of Thoughts on the Reported Climate for Collaboration

Newspaper reports provide only one, limited perspective on the conditions necessary for collaboration. Still, through the examination of newspaper reports related to this small sample of collaborations in Kent County, several common themes arose.

- The need for service changes or improvement was the reported driver of this sample of collaborative efforts. Cost-cutting was not generally mentioned as a reason to support collaboration, nor was government simplification. The clear exception to this conclusion is the collaborations on financial systems and procedures, such as sharing the auction prologues, bond rating, and financial services.
- Government collaboration in the region can be highly controversial. Simple and clear-cut efforts drew little controversy; however, collaborations that involve a significant change reported widespread and vocal opposition.
- The road to a large collaboration can be lengthy. The GVMC and the waste incinerator projects took years to move from concept to reality. In both cases, news reports indicated a year or more of frequent public meetings, discussions, and votes were necessary for the issues to be resolved.
- Successful, large-scale collaborations/consolidations were supported by a dedicated funding source (e.g., The Rapid, KCDA, solid waste management)

In short, for the governmental realignment that has recently been proposed for Kent County and the City of Grand Rapids, reports of the environment surrounding past collaborations provide simple, but limited insights. For one, public controversy and resistance should be expected, particularly for a proposal that has countywide implications in a manner similar to the GVMC. Second, success is possible; however, those collaborations that have succeeded in the past have been promoted as a specific way to improve a service that addresses a pressing issue. **The review of conditions suggests that any future efforts at collaboration or consolidation will need to be very clear about what service or issue is being addressed and how the change in governmental operations will offer a widespread and long-term benefit.** Additionally, government agencies that are proposing a collaboration or consolidation should be prepared to patiently address opposition from factions within the affected communities.

Finally, it should also be noted, again, that previous successful collaboration efforts in Kent County have not typically been promoted as cost savings measures. The collaborations examined for this analysis were reportedly driven by factors such as service improvement, projected need, or efficiency improvement. Although saving money or dealing with declining revenues are certainly legitimate reasons for governments to seek new partnerships and new ways to provide services, it appears that previous initiatives either were not primarily driven by cost savings or chose to promote the service and efficiency benefits of the initiative rather than a cost savings.

THE VIEW FROM THE FRONT LINE

This section discusses the views expressed by government officials and regional stakeholders that have been on the “front line” by either witnessing or taking part in collaborative efforts that

have occurred in Kent County. According to nearly every person we interviewed, the key factor that must be in place for government collaboration to be successful is trust. This was said time and time again. Trust is built over time. This means that strong formal and informal networks are very helpful in enabling government leaders to get to know each other.

While the longevity of leadership can be helpful in the development of trust between policy makers, significant past grudges can effectively block future collaborations. In short, a significant negative action between government units can hinder future joint projects for decades and may remain a substantial barrier until the impacted personalities retire.

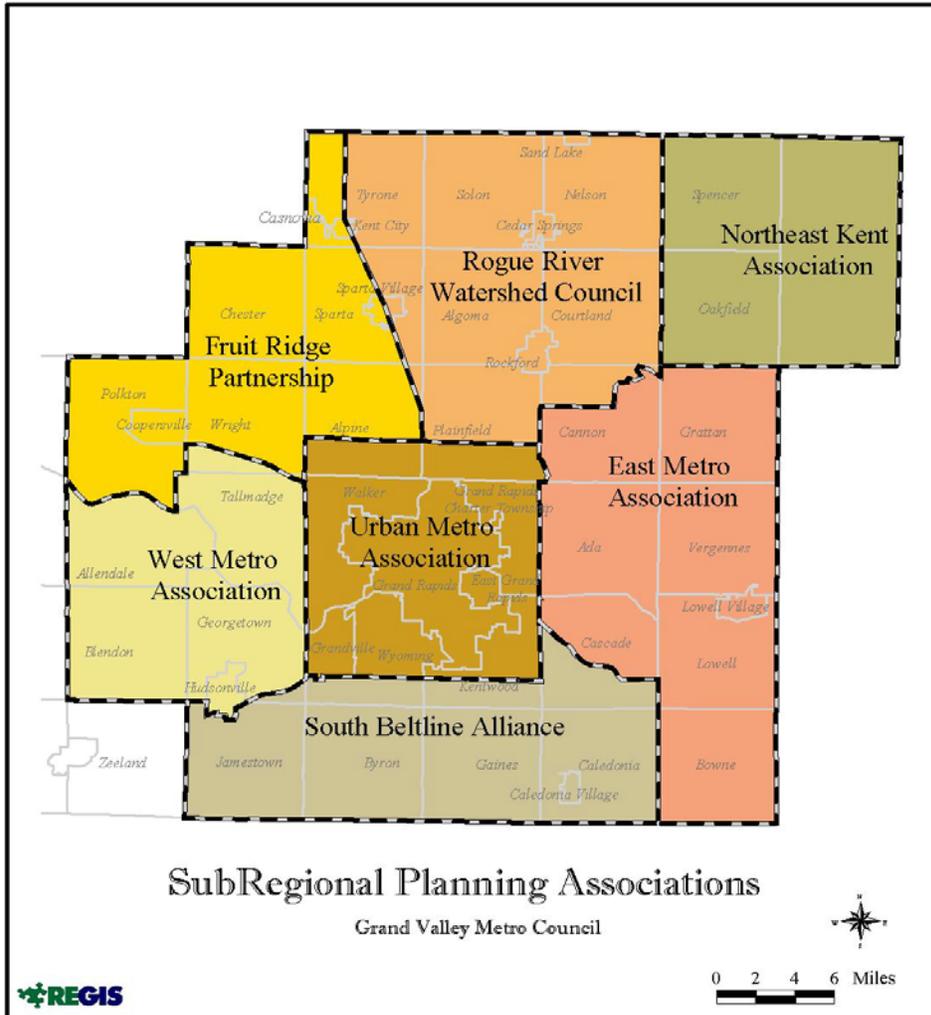
The Urban Metro Mayors and Managers (UMMM), which is an informal group of mayors and managers representing the metro's core municipalities, was mentioned several times as a productive organization that provides a positive setting to discuss issues that impact the metro area's six core cities.¹⁷ However, the County is not a permanent member of this group. The Grand Valley Metro Council (GVMC) was also cited as providing a good forum for the discussion of regional issues; although, there were concerns voiced, as well, that it can overly represent the townships.

Second, it is important for leaders to have a common vision and share common ground, according to several of the individuals interviewed. This often depends upon the similarities of the governmental units and the populations that they serve. If they share common assets, serve similar communities, and have similar cost structures then there is a better chance of collaboration. Moreover, the probability of a cooperative agreement is heightened when the partnering governments share a "common culture." The Grand Valley Metro Council captured this concept when they divided the metro area into seven subregions as shown in Map 1.¹⁸ For example, they found that the governmental units in the southern portion of Kent County identified with the opportunities and challenges offered by the M-6 Southbelt Freeway, while the county's northern governmental units identified with Rogue River watershed. Sharing these physical attributes give the governmental units in these subregions a common ground from which to base collaborative agreements.

¹⁷ Grand Rapids, Wyoming, Kentwood, Walker, Grandville, and East Grand Rapids

¹⁸ Grand Valley Metro Council, *Metropolitan Framework* Interim November, 2003.

Map 1 The Subregions of the GVMC service area



Third, leadership is key. However, several individuals warned that leadership is a double-edged sword in that there is only a slight difference between strong leadership and being a bully. One interviewee said that you need a leader who has the “confidence to proceed” on the project, while others cited situations where the project leader pushed so hard that potential partners walked away from the table.

Fourth, success breeds success. The first joint project should be a clear win-win proposition because if it is successful, additional cooperative agreements will likely follow. Cost savings and/or improved services should be visible and shared. This suggests that governmental units should start slow and avoid taking on the more challenging issues until the easier ones are addressed.

Fifth, if the activity or function is not a core service to the partnering government units, a regional agreement is more likely. Public transit is an ideal case. The Rapid took the cost of

public transit out of the general fund of the local government units, which never identified public transportation as a core activity, and replaced it with a dedicated property tax millage. This helped the government units to focus on their core activities of public safety and other public services.

Finally, it is important to note that the Grand Rapids area, in general, and especially the City of Grand Rapids, in particular, as discussed previously regarding the Van Andel Arena and the DeVos Place Convention Center, has developed strong public and private partnerships as well. The Right Place, Inc, for example, is a model public/private economic development organization.

Barriers to Government Collaboration

The interviewees also identified the major barriers to government collaboration. First, differences in the level of the quality of service and standards for service can block neighboring governmental units from entering a cooperative service agreement. For example, what constitutes a standard response to a fire call varies greatly between communities, and it can be difficult for a government unit to either accept a weaker response or be willing to pay for a more expensive response. The cost structure of townships differs significantly from neighboring cities, making it nearly impossible for them to provide services jointly. Equally challenging is when governmental units have different levels of legacy costs, such as retirement pensions, health care, or wage agreements.

Another major barrier to collaboration can occur if at least one of the potential partnering governmental units perceives that it would suffer a significant loss of authority or autonomy with the agreement. One issue that was cited by several individuals is that tax collection, elections, and real estate assessing, which are “back room activities” that would appear to be ideal for vertical collaboration agreements, are seen as core functions of townships.

Finally, past actions can have negative consequences on future initiatives. Significant past disagreements or misunderstandings can hinder future partnership for decades. While the past cannot be changed or erased, and may not be forgotten until the major players leave the stage, it does serve as a warning that seriously contested proposals are not only likely to fail, but may also poison the waters for future collaborations for years to come.

What Others Have Said

The Michigan Government Finance Officers Association has developed its own list of characteristics that are tied to successful governmental partnerships (Table 3). Many of them overlap the views of the interviewed government leaders. In summary, the MGFOA found that the major drivers for intergovernmental collaboration were to: 1) provide better services, 2) eliminate needless duplication of services, 3) lower the cost of providing service, 4) address issues that cross government boundaries, and 5) minimize possible externalities.

Table 3 MGFOA Success Characteristics of Successful Government Collaboration Efforts

Fiscal stress of local units
Similarities in income and demographics among participating communities
Substantial population change
Council-Manager form of government
A well-established mechanism to resolve differences and the willingness to compromise
Resources commitments by all participants
Consistent, on-going, open communications among all participants
All potential major barriers to the intergovernmental cooperation are addressed early on
Adherence to all legal and other requirements
Prior successes
Strong leadership
Political and community support

SOURCE: MGFOA The Business Case for Interlocal Cooperation (no date), p. 7.

STRUCTURAL DIFFERENCES BETWEEN GOVERNMENTS

As mentioned above, one aspect that affects the possibility of collaboration is the similarity of the tax structure and tax effort of the government units. It can be expected that cities or townships that have similar tax structure or relative taxation efforts (in terms of the relative rate of taxes imposed) will be more likely to enter collaboration agreements than more dissimilar cities or townships. Governmental units with similar structures are likely to already have in place similar, potentially duplicative, services if they are both at the high-end of the taxation effort scale; conversely, if the governmental entities are low in taxation effort, it is likely they share a common lack of services or difficulties in addressing an issue because of limited resources.

In either case, similar entities are more likely to consolidate or engage in horizontal collaboration than those that are not. According to the CRC, approximately two-thirds of government collaborations in Kent County are horizontal in nature, which is to say that the collaborations involve governmental entities with a similar function or service cooperating or sharing in the provision of the function or service.¹⁹ An example of this type of horizontal collaboration would be two or more cities working together to jointly provide or contract for a service.

Another ingredient that would increase the probability of successful collaboration is if the involved governmental entities also share similar technology platforms.

To illustrate the magnitude of differences that currently exist between governmental entities in Kent County, relative local tax levies—excluding broad state, county, school district, or other taxes that are assessed across the board—were examined on a per capita basis. In all locations, property taxes are levied for local governmental operations; additionally, the cities of Walker and Grand Rapids also levy an income tax, which is included in the analysis. Because Michigan law mostly treats villages as a component of the township in which they reside, the analysis is limited to cities and townships. Table 4 shows both the most recent per capita level of tax levy or

¹⁹ Citizen’s Research Council of Michigan. *Streamlining Functions and Services of Kent County and Metropolitan Grand Rapids Cities*. (Report 357, January 2009).

taxation effort for 2010, as well as for 2005 so as to allow for comparison of both level and growth.

The difference in per capita tax levies is most striking between the townships and the cities. In 2010, per capita local tax levies ranged from \$20.88 to \$370.12 in townships, compared to a range of \$143.70 to \$824.89 in Kent County's cities. The average per capita tax levy for cities was \$494.96 in 2010, which was more than four-times greater than the average township per capita tax levy of \$108.76. This is not surprising and clearly illustrates the difference in service offerings between cities and townships.

In addition to the differences between cities and townships, there are also significant differences within the groupings of cities and townships. For example, Solon Township, with a per capita tax levy of only \$20.88 and a per capita SEV of \$25,329 represents a fairly low-resource and low-capture community, which is quite different from Cascade Township, which has a much higher average SEV—and therefore greater source of support—as well as a per capita tax levy that is more similar to a city. Amongst cities, East Grand Rapids has a per capita SEV that is double that of the City of Grand Rapids and a tax levy that is more than double the levy captured in the cities of Cedar Springs and Wyoming.

Although per capita tax levies do not necessarily fully capture the similarities or differences in service functions or preferences of units of local government, the differences illustrated in Table 4 are an indicator of the capacity of each governmental entity to collect funds and produce services. Large differences could suggest a disparity in either the wealth to provide services or the interest of the citizenry in public services that could make collaboration more challenging for the governmental entities involved. For example, a government with higher wealth (as measured in SEV or income) capacity to draw from may express resentment of partnerships involving partner communities with lower capacity and/or significantly higher service demands.²⁰

²⁰ See, for example, the reported differences between Wyoming and Grand Rapids cited in footnote 9.

Table 4 Tax Levy of Subcounty Units in Kent County, Michigan

Kent County subdivisions	<u>SEV per capita</u>		<u>Change</u>		<u>Local per capita levy</u>		<u>Change</u>	
	2005	2010	Amount (\$)	Pct. (%)	2005	2010	Amount (\$)	Pct. (%)
<u>Townships</u>								
Ada	64,978	68,645	3,666	5.6	223.35	269.50	46.14	20.7
Algoma	34,899	35,822	924	2.6	93.31	95.21	1.90	2.0
Alpine	25,458	30,924	5,466	21.5	70.64	84.69	14.06	19.9
Bowne	37,418	39,862	2,444	6.5	118.22	127.64	9.43	8.0
Byron	36,255	42,532	6,277	17.3	57.51	67.25	9.74	16.9
Caledonia	39,777	44,423	4,647	11.7	137.21	144.02	6.80	5.0
Cannon	36,871	41,414	4,543	12.3	112.38	125.65	13.27	11.8
Cascade	79,959	80,392	433	0.5	354.20	370.12	15.92	4.5
Courtland	32,135	33,938	1,803	5.6	83.45	87.41	3.97	4.8
Gaines	28,293	28,746	452	1.6	49.57	50.36	0.79	1.6
Grand Rapids	50,612	51,491	879	1.7	125.49	127.67	2.18	1.7
Grattan	35,216	42,438	7,222	20.5	108.84	128.22	19.38	17.8
Lowell	24,446	29,280	4,834	19.8	40.80	49.02	8.23	20.2
Nelson	23,119	25,305	2,186	9.5	60.64	66.84	6.20	10.2
Oakfield	26,715	30,969	4,254	15.9	44.60	51.25	6.65	14.9
Plainfield	32,186	36,639	4,453	13.8	134.02	151.89	17.87	13.3
Solon	22,531	25,329	2,797	12.4	18.98	20.88	1.90	10.0
Sparta	24,647	27,034	2,387	9.7	30.24	46.59	16.35	54.1
Spencer	26,701	30,679	3,978	14.9	86.49	84.13	-2.36	-2.7
Tyrone	22,282	22,482	200	0.9	69.44	64.38	-5.07	-7.3
Vergennes	36,303	40,710	4,408	12.1	63.19	71.13	7.94	12.6
<u>Cities</u>								
Cedar Springs	20,967	21,858	891	4.2	342.75	348.75	6.00	1.8
East Grand Rapids	44,064	49,307	5,243	11.9	732.53	824.89	92.35	12.6
<u>Rapids</u>								
Grand Rapids*	22,089	25,118	3,029	13.7	447.80	496.14	48.35	10.8
Grandville	38,950	43,766	4,816	12.4	400.16	485.71	85.55	21.4
Kentwood	40,756	41,013	257	0.6	373.61	477.79	104.18	27.9
Lowell	24,416	30,209	5,793	23.7	413.91	512.11	98.20	23.7
Rockford	38,075	37,606	-469	-1.2	450.76	443.61	-7.15	-1.6
Walker*	39,196	44,093	4,897	12.5	440.38	459.14	18.75	4.3
Wyoming	28,766	29,271	505	1.8	360.65	406.50	45.85	12.7

NOTE: * Levy adjusted to include income tax.

SOURCE: MI Dept. of Treasury, Advalorem Property Tax Levy Reports, and Local Unit Audit Reports; Grand Rapids City Fiscal Plan, 2005 and 2010.

Per capita calculated using Census 2010 & 2005 Census Population Estimates.

To further highlight the differences and similarities between the many cities and townships, Table 5 shows select demographic characteristics for each of the subcounty governmental units in Kent County.

Table 5 Select Population and Housing Characteristics for Kent County Cities and Townships

Kent County subdivisions	2010 population	Population change 2005–2010 (%)	Nonwhite share of population (%)	Median age	Percent of households with children (%)	Median household income (\$)	Poverty rate (%)	Share of housing owner occupied (%)
<u>Townships</u>								
Ada	13,142	11.7	6.7	39.8	45.0	105,132	3.7	91.9
Algoma	9,932	8.5	3.2	38.6	41.7	76,840	2.7	94.7
Alpine	13,336	-3.8	18.1	32.6	35.2	40,869	15.0	58.3
Bowne	3,084	6.0	4.1	38.5	41.4	75,054	5.1	91.8
Byron	20,317	0.9	7.2	38.8	34.6	51,774	7.2	83.2
Caledonia	12,332	8.4	4.8	37.8	40.4	73,201	2.6	89.1
Cannon	13,336	0.8	3.7	40.5	43.6	83,591	6.1	93.1
Cascade	17,134	3.4	6.5	43.3	37.4	94,313	3.0	92.2
Courtland	7,678	9.7	3.3	37.2	44.2	78,379	3.7	95.0
Gaines	25,146	7.4	19.5	34.8	38.3	53,415	11.5	71.6
Grand Rapids	16,661	12.7	8.5	41.3	37.5	76,070	3.5	88.5
Grattan	3,621	-3.4	3.5	44.7	30.3	61,983	11.5	91.0
Lowell	5,949	-4.1	3.8	38.4	36.1	61,497	8.6	84.4
Nelson	4,764	3.0	3.1	36.5	39.7	56,410	13.9	88.8
Oakfield	5,782	1.7	3.1	40.4	35.2	58,036	7.7	92.1
Plainfield	30,952	-2.0	6.3	39.7	34.0	60,622	7.3	83.0
Solon	5,974	5.1	4.2	37.5	37.5	50,889	11.3	92.4
Sparta	9,110	-0.7	5.5	35.6	38.0	42,962	17.6	76.5
Spencer	3,960	3.2	3.2	40.6	32.9	47,845	11.7	88.6
Tyrone	4,731	5.8	6.4	34.9	40.6	50,938	8.4	87.7
Vergennes	4,189	1.7	3.7	39.2	41.6	69,201	5.0	93.8
<u>Cities</u>								
Cedar Springs	3,509	8.5	5.7	29.6	47.3	42,943	12.9	62.6
East Grand Rapids	10,694	3.0	4.6	39.8	44.9	99,489	3.4	91.5
Grand Rapids	188,040	-3.0	35.4	30.8	31.1	38,344	24.3	56.0
Grandville	15,378	-8.0	8.0	36.3	33.5	50,984	6.8	71.9
Kentwood	48,707	4.8	29.9	34.3	32.9	48,335	12.2	61.2
Lowell	3,783	-8.6	5.9	37.1	36.4	35,977	13.6	62.5
Rockford	5,719	13.0	5.0	33.7	42.1	57,422	8.4	70.0
Walker	23,537	0.5	8.7	34.6	29.3	49,189	11.2	62.8
Wyoming	72,125	2.9	24.2	32.1	37.2	44,491	16.3	65.9

SOURCE: 2010 Census; 2005 Census population estimates; and 2006–2010 ACS.

As shown in Table 5, cities and townships are home to very different populations. On the whole, the populations of townships in Kent County are faster growing, older, and home to fewer nonwhite residents than cities. The availability of incomes and residential homes to draw taxes from varies as well. Overall, cities have lower rates of homeownership, lower-income residents, and higher rates of poverty than the townships. However, large differences also exist within the groupings of townships and cities as well. For example, population growth between 2005 and 2010 ranged from -4.1 percent to 12.7 percent in the townships and from -8.6 percent to 13

percent in the cities, which suggests that many of these areas are facing very different situations in terms of either managing growth or dealing with decline.

Although variation in the demographic composition or wealth of the communities in Kent County is not a direct barrier to collaboration, as the CRC discussed in its recent assessment of Lenawee County, Michigan, there seems to be an assumption that commonalities between communities would be reflected in any new bodies or consolidations that are formed.²¹ If this is the case, efforts at intergovernmental cooperation will be more likely to occur between entities that have either common populations or that face a common need or problem. As the data in Tables 4 and 5 demonstrate, these commonalities simply do not exist across all townships or all cities; although there most likely are opportunities for some collaboration between subsets of similar places.

DISCUSSION AND CONCLUSIONS

Collaboration among government clearly holds the potential to generate better service delivery and/or cost savings. Moreover, the government units in Kent County have an impressive history of working together, despite a couple of high-profile disagreements, such as Grand Rapids and Wyoming's parallel water pipelines and the North Kent Sewer Authority. Many of the key conditions are already in place: elected officials, township supervisors, and city managers all know each other, many trust each other, and all have opportunities to meet, formally and informally. As said before, there are numerous examples of successful partnerships which simply set the stage for more.

The types of services that are more likely to be provided through collaboration agreements, directly or through public/private partnerships, tend to require either significant capital investments or specialized services. These include internet/cable access, public transit, trash and recycling services, and utilities. In addition, technical expertise such as GIS services, engineering, legal, and surveying are also suitable for vertical collaboration agreements.

At the same time, there are structural barriers that may hinder future collaborations. First, the cost structure differences between townships and the county's cities made it very difficult for them to partner on the provision of services. Even among cities, differences in the level of standards for services or non-compatible technologies can impede efforts to collaborate on the delivery of services. Finally, there are a set of core services that most governmental units believe they should provide to their residents, regardless of whether there would be efficiencies or cost savings generated through collaboration or consolidation. The importance of local autonomy to elected officials and administrators cannot be underestimated.

In closing, one concern that was expressed during our interviews was that individual cooperative agreements between governmental units are not likely to generate a unifying vision for the region. Local governmental collaborations will not likely lead to consolidation. For some, this is fine; the maintenance of local autonomy is worth foregoing possible cost savings or service

²¹ Citizen's Research Council of Michigan. *Streamlining Local Government Service Delivery in Lenawee County* (January 2012).

improvements. For others, this is disappointing as they argue that it is only through consolidation that you will address the more challenging issues facing metro areas. These issues include:²²

- *Urban sprawl* – As long as land use planning is done at the local level, there is an incentive for townships to promote residential growth further and further from the urban core. While the national housing crisis has slowed residential construction, the industry will recover and when it does, established consumer preferences suggest that with income growth the demand for rural residential development will return.
- *Service efficiency* – It is likely that centralizing tax collection, elections, and real estate assessing would lower the cost for these “backroom” functions for local governments. Many other administrative functions such as human resources could also be centralized at the county level.
- *Equity* – As shown in Table 5, the median household income in the City of Grand Rapids was only \$38, 344 in 2010, while in Ada Township, Cascade Township, and East Grand Rapids, it was well over \$90,000. Nearly a quarter of Grand Rapids residents struggle below the poverty line. Low-income residents living in older housing units require more services, while generating smaller tax revenues, than wealthier residents. During the 2005–2010 period, the six core cities housed 78.1 percent of the County’s population surviving under the poverty line. If the core cities continue to house an increasing share of the county’s low income residents, their financial situation will only worsen.

Metropolitan areas are dynamic, not static. A century ago, cities captured most residential neighborhoods, and the more wealthy neighborhoods effectively subsidized the public services delivered in its poorer neighborhoods. As new neighborhoods were built outside the borders of the central city, this cross-subsidization was interrupted.

There are clear and constant pressures for growth to continue to occur outside the central city and, increasingly outside of the first-generation suburbs’ borders as well. The recent commercial and office development on M-6 and the North East Beltline clearly shows that highway access supports business development. In addition, economic research has shown that the demand for residential land and square footage grows proportionately with personal income. The Great Recession has slowed this progress; however, it is still present and will likely return as the economy recovers. From 1990 to 2010, population in the six core cities increased by only 7 percent, while county population outside these cities increased by 47 percent as shown in Table 6. If these trends continue, Kent County’s core cities will likely witness weaker retail areas, slower growth in property values, and higher service demands. Indeed, a similar fate is also likely to affect the older townships as well. The City of Grand Rapids is bolstered by the encouraging developments in its downtown and surrounding residential areas; however, the other core cities do not have a unique downtown environment to build off of, excluding East Grand Rapids’ Gaslight Village.

Without a community-wide dialogue to discuss both a regional vision and comprehensive strategies to address the likely continuation of these development trends, the long-term future of the county’s core cities is uncertain. And, it is equally uncertain if the ongoing success in

²² The following discussion is based on the source: John F. Freie, *The Case for Government Consolidation* prepared for Syracuse 20/20, September 2005.

forming government cooperative agreements for the provision of specific services will push local units of government any closer toward the development of a regional vision.

Table 6 Population Change in Kent County 1960 to 2010

Kent County subdivisions	1960	1970	1980	1990	2000	2010	Percent change 1990–2010
Townships							
Ada	2,887	4,479	6,472	7,578	9,882	13,142	73
Algoma	2,485	3,088	4,411	5,496	7,596	9,932	81
Alpine	4,764	8,163	8,934	9,863	13,976	13,336	35
Bowne	1,181	1,429	1,719	1,907	2,743	3,084	62
Byron	6,036	7,493	10,104	13,235	17,553	20,317	54
Caledonia	2,752	3,842	4,927	6,254	8,964	12,332	97
Cannon	2,525	3,690	4,983	7,928	12,075	13,336	68
Cascade	3,333	5,243	10,120	12,869	15,107	17,134	33
Courtland	1,555	2,196	3,272	3,950	5,817	7,678	94
Gaines	6,120	8,794	10,364	14,533	20,112	25,146	73
Grand Rapids*	16,378	6,823	9,294	10,760	14,056	16,661	55
Grattan	1,346	1,893	2,575	2,876	3,551	3,621	26
Lowell	1,567	2,160	3,972	4,774	5,219	5,949	25
Nelson	2,455	1,938	2,641	3,406	4,192	4,764	40
Oakfield	1,471	2,159	2,983	3,842	5,058	5,782	50
Plainfield	11,680	16,935	20,611	24,946	30,195	30,952	24
Solon	2,422	2,114	2,809	3,648	4,662	5,974	64
Sparta	5,247	6,466	6,934	8,447	8,938	9,110	8
Spencer	1,014	1,458	2,385	3,184	3,681	3,960	24
Tyrone	2,388	2,638	3,220	3,757	4,304	4,731	26
Vergennes	945	1,400	1,819	2,492	3,611	4,189	68
Cities							
Cedar Springs	1,768	1,807	2,615	2,600	3,112	3,509	35
East Grand Rapids	10,924	12,565	10,914	10,807	10,764	10,694	-1
Grand Rapids*	177,313	197,649	181,843	189,126	197,800	188,040	-1
Grandville	7,975	10,764	12,412	15,624	16,263	15,378	-2
Kentwood**	19,235	20,310	30,438	37,826	45,255	48,707	29
Lowell	2,545	3,068	3,707	3,983	4,013	3,783	-5
Rockford	2,074	2,428	3,324	3,750	4,626	5,719	53
Walker***	16,381	11,492	15,088	17,279	21,842	23,537	36
Wyoming	45,829	56,560	59,616	63,891	69,368	72,125	13
Core Cities	277,657	309,340	310,311	334,553	361,292	358,481	7
Remainder	86,938	101,704	134,195	166,078	213,043	244,141	47

SOURCE: U.S. Census Bureau, General population characteristics, Michigan, 1960, 1970, 1980, 1990, U.S. Census Bureau, Census 2000, 2010, SF1, americanfactfinder.gov.

*Parts of Grand Rapids Township (as well as other townships) were annexed to the city during the '60s.

**Kentwood was formed in 1967 from the remnants of Paris Township.

***Prior to 1962, the City of Walker was Walker Township.

Appendix

Individuals interviewed in the preparation of this report include:

Daryl J. Delabbio, County Administrator, Kent County
Eric Delong, Deputy City Manager, Grand Rapids
Mike DeVries, Supervisor, Grand Rapids Township
Jay Fowler, Director Downtown Development Authority, Grand Rapids
Don Hilton, Sr., Supervisor, Gaines Charter Township
Curtis Holt, City Manager, Wyoming
Bob Homan, Township Manager, Plainfield Township
Rich Houtteman, Deputy Administrator, City of Kentwood
Kurt Kimball, Former City Manager, Grand Rapids and Pondera Advisors LLC
Ken Krombeen, City Manager, Grandville
Greg Northrup, Former President, West Michigan Strategic Alliance
Milt Rohwer, Former President of Frey Foundation (retired)
Don Stypula, GVMC Executive Director (retired), Collaboration Matters
Peter Varga, CEO, The Rapid.