



City of Bay City, Michigan

Cooperation, Collaboration and Consolidation Plan
Category 2 of the State of Michigan
Economic Vitality Incentive Program (EVIP)

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LIST OF PRINCIPAL OFFICIALS

Mayor

Christopher J. Shannon

City Commissioners

1st Ward:
Lynn D. Stamiris

2nd Ward:
Elizabeth Peters

3rd Ward:
Dennis Banaszak

4th Ward:
Lori Dufresne

5th Ward:
James Irving

6th Ward:
Christopher Girard

7th Ward:
Douglas Sommer

8th Ward:
Chad Sibley

9th Ward:
Larry Elliott

Administration

City Manager

Robert V. Belleman

Deputy City Manager of Administrative Services/City Clerk

Dana L. Muscott

Deputy City Manager of Community Development

Steven Black

Acting Water Treatment Superintendent

Tom Levengood

Wastewater Treatment Superintendent

William Kaiser

Human Resources Director

Wendy White

Electric Director

Phil Newton

Police Chief

Michael Cecchini

Interim Fire Chief

Karey Prieur

Information Technology Director

Tony Reyes

Interim Fiscal Services Director

Mike Regulski

Prepared By:

Gina Engel, City Manager Intern

EXECUTIVE SUMMARY

With the Appropriations of the Fiscal Year 2012 State Budget (Public Act 63 of 2011), the legislature—at the Governor’s request—established the “Economic Vitality Incentive Program” (EVIP). EVIP creates an incentive for cities, villages and townships eligible to receive statutory revenue sharing. The Economic Vitality Incentive Program allocated \$210 million for incentives and \$5 million for grants available to communities evidencing “Best Practices” in three categories. The three categories include (1) Accountability & Transparency, (2) Consolidation of Services, and (3) Employee Compensation.

An eligible municipality would receive incentive payments for establishing “Best Practices” in each of the three categories. In the Accountability & Transparency Category, a community was required to have a (1) Citizen’s Guide to the local unit’s Financial Reports, and (2) performance dashboard. The Local Unit must have filed a certificate with the Michigan Department of Treasury on or before October 1, 2011 evidencing the creation of both items.

In the Consolidation of Services, the municipality is required to file a Cooperation, Collaboration and Consolidation Plan with the Michigan Department of Treasury on or before January 1, 2012. This document will serve as the City of Bay City’s Cooperation, Collaboration and Consolidation Plan.

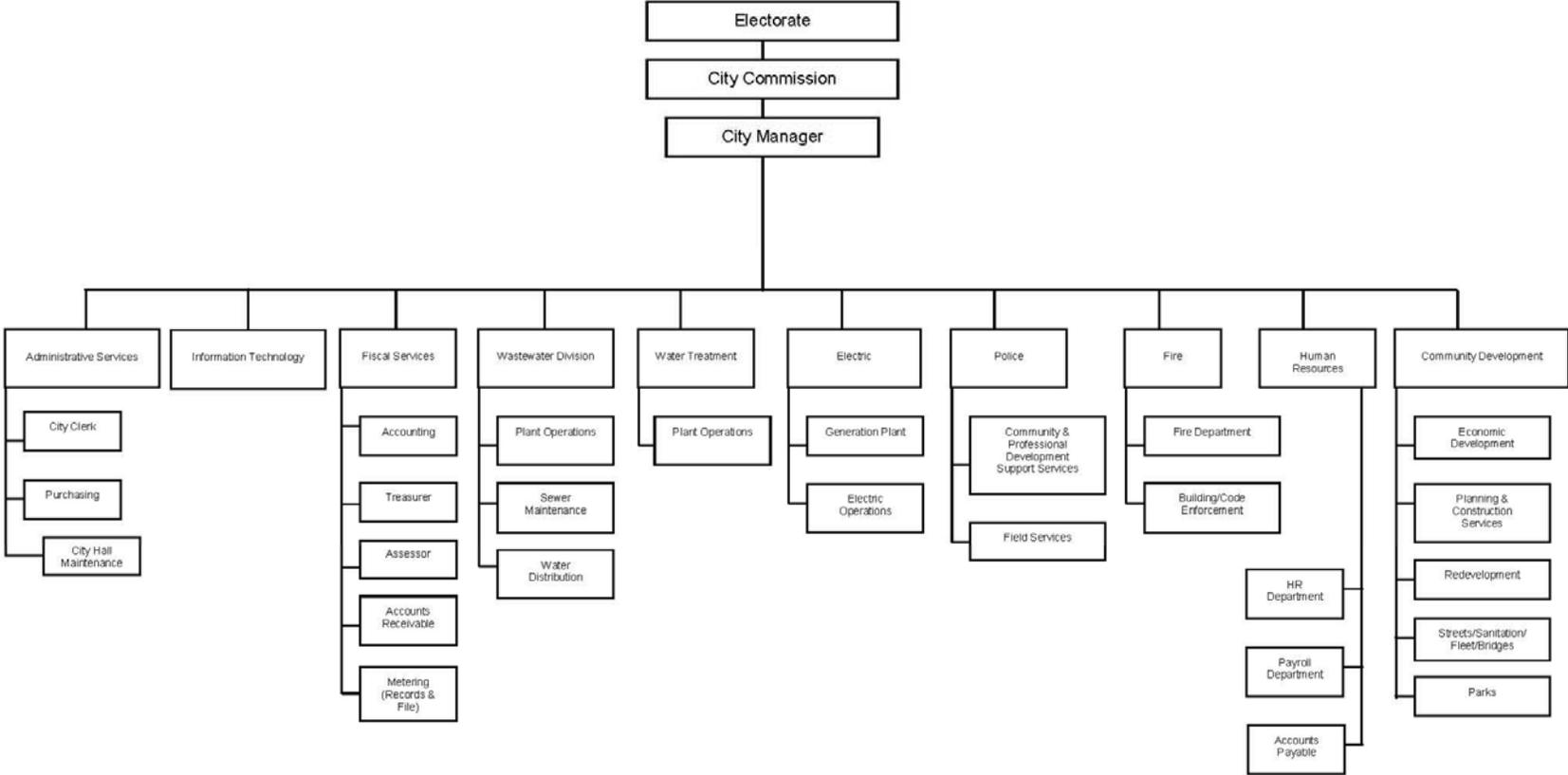
In the Employee Compensation category, the local unit is required to submit an Employee Compensation Plan to the Michigan Department of Treasury on or before May 1, 2012. The Employee Compensation Plan will share how the local unit intends to address the following:

- caps on annual employer contributions to retirement plans for new hires
- establish maximum multipliers for defined benefit pension plans
- define limits on calculation of the final average compensation for defined benefit pension plans
- set limits on health care premium costs for new hires when employment contracts expire

The City of Bay City has prepared a Cooperation, Collaboration and Consolidation Plan addressing internal and external opportunities to reduce costs, eliminate duplication of services and increase effectiveness. The City’s Plan includes current and future efforts to cooperate, collaborate and consolidate with our neighbors and other municipalities in the Great Lakes Bay Region. The City will strive to implement the elements of its Plan in a timely manner and continue to identify opportunities for additional cooperation, collaboration and consolidation.

In April 2011, the Bay Area Chamber of Commerce convened a *Business – Government Summit* to discuss opportunities for collaboration and consolidation of services. The City of Bay City and County of Bay representatives included elected and appointed officials from all service areas. Subsequent to this Summit, city and county staff held various meetings to discuss a strategy and area for consideration. Those efforts are on-going with several reflected in this report.

City Of Bay City Organizational Chart



FUTURE COOPERATION, COLLABORATION & CONSOLIDATION EFFORTS

Information Technology Department

The City of Bay City and Bay County is currently negotiating a deal to share hosting and licensing of both City and County Geographic Information Systems (GIS) data on the City's GIS server. The estimated annual cost savings/revenue is \$6,000. This saving could increase depending upon the number of departments consolidating. The projected implementation timeframe for this project is the Second Quarter 2012.

The City of Bay City is still evaluating vendors for its financial management software. If Tyler Technologies, which is one of four vendors under consideration, is selected, the City will pursue shared software licensing and support with Bay County. The possibility for shared licensing and support only exists if the City elects to go with Tyler Technologies. The estimated annual cost savings/revenue for this opportunity is \$5,000. The projected implementation timeframe is the Fourth Quarter 2012.

The City of Bay City is currently evaluating two major vendors of hosted Human Resources (HR)/Payroll software. Bay County does not utilize Tyler Technologies' HR software, but does use its payroll application. Bay County is currently evaluating the same software providers as Bay City for HR and payroll software services and if a common vendor is selected the County and the City could share a single application. The estimated cost savings/revenue of sharing a single application is \$30,000. This is half the cost of a full HR/Payroll software license. The projected implementation timeframe if Bay City and Bay County do select a common vendor is the First Quarter 2012.

The City of Bay City is currently in discussions with Bay Metro Transit Authority regarding the feasibility of Bay Metro Transit Authority using strands of City fiber for use in transmitting video surveillance data. Bay Metro will pay all costs for connection. The City of Bay City will not be using these strands of fiber in the near future, and as such, the City intends to relinquish its ownership interest to Bay Metro at no additional cost. The projected implementation timeframe is First Quarter 2012.

Combining Bay City Police & Fire Departments

The Bay City Police Department and the Bay City Fire Department are currently in the initial stages of researching revenue enhancement and cost containment options. Several options under consideration include combining the police and fire departments by creating a Public Safety Department, contracting with Bay County Sheriff's Department for police protection and creating a Fire Authority with neighboring townships and city. The estimated financial impact from this effort is between \$2 million and \$4 million in reduced costs. The project implementation time frame is between two and five years.

Centralized Health Clinic for Self Insured Groups

The following organizations are partnering to create a Centralized Health Clinic for Self Insured Health groups. The partner groups include

- 1) Bay Arenac Behavioral Health-Standish
- 2) Bay Arenac Behavioral Health- Kawkawlin
- 3) Juvenile Home Room
- 4) Bay County Medical Care Facility- Essexville
- 5) Bay County Sheriff Department
- 6) Bay County
- 7) Bay County Health Department
- 8) Bay County Court Mediation
- 9) Bay County Central Dispatchers
- 10) Bay-Arenac Behavioral Health- Main Office
- 11) Bay-Arenac Behavioral Health- Madison
- 12) City of Bay City

Office visits will be free for all employees and their dependents, with the possibility of adding retirees at a later date. The Clinic would have the ability to dispense prescriptions at low or no cost because there will be little to no dispensing fees for prescriptions.

A shared clinic will provide many other benefits, including the following:

- 1) No cost visits ensuring ensure greater compliance at lower claim costs to the organization.
- 2) Low overhead positively impacting overall claim costs.
- 3) Controlling costs reducing P.A. 152 requirements.
- 4) Improved employee morale – making it more convenient to see a medical professional; making the waiting time less, and providing employees better care.
- 5) Increased direct care management by the physician reducing overall large claim costs.
- 6) Expanded wellness initiatives.

The proposed opening date is April, 1, 2012. The estimated savings for FY 13/14 is \$351,360 and the savings is expected to rise in later years.

Bay City Municipal Water Treatment Plant

In 2003, the City of Bay City received a Needs Assessment Report of its current water treatment plant. According to Malcolm Pirnie, the City of Bay City would be required to invest approximately \$26 million over fifteen years to comply with regulatory requirements. Currently, the City of Bay City has three wholesale contacts with out-city water customers. The three wholesale customers are the City of Essexville, Hampton Charter Township, and Bay County Department of Water & Sewer, which represents sixteen townships and water districts. Under the current relationship, the City of Bay City would bill its wholesale customers the cost to maintain and operate its water treatment plant and annual depreciation on the treatment plant and transmission system plus a return on rate, which are referred to as “common-to-all” costs. Over

the years, this relationship has resulted in much litigation over proposed water rates. Additionally, the current relationship establishes a “true up” process whereby the City calculates actual costs at the end of the fiscal year and determines whether a refund or additional payment is required. This process also applies the “five percent rule” which states that “no adjustment be made for an out-city customer if the customer’s actual revenue less the actual revenue requirement is less than five percent of the actual revenue billed for the year in question.” The five percent rule has resulted in an underpayment to the City of approximately 1.7 million dollars. In 2002, the City issued “Notice to Quit” letters to its out-city wholesale customers in attempt to renegotiate the wholesale water contracts.

The out-city customers objected to continuing the existing relationship because of escalating wholesale rates and decided to investigate alternative water source and treatment methods. The contracts with two of the three out-city wholesale customers have expired. And, the third contract is scheduled to expire in June 2015. The City estimates water rates would need to increase between 45 and 60 percent to operate and maintain its existing plant absent partnership with our wholesale customers. Likewise, wholesale customers would experience substantial rate increases absent a partnership with the City.

Based on the above information the City and out-city customers firmly believe our collective best interest is to partner through joint ownership of a new membrane filtration water plant. The cost to build a new plant is less expensive than the \$26 million it would cost to bring the current water treatment plant up to code and operate long term. Pursuing this option is beneficial not only financially, but in other ways as well. It creates partnerships with area townships, cities, water districts and Bay County which will avoid costly litigation by involving all users in the decisions associated with operation and capital investment. Over the years, the City and out-city water customers have expended in excess of \$2 million in legal costs.

This issue would be addressed under joint ownership structure, such as an authority. The estimated implementation date for this project will commence in the Second Quarter 2012.

The Bay City Fire Department

The Bay City Fire Department is considering integrating the Building Department into the Fire Department. The full time Clerk in the Building Department could then be eliminated and the full time Administrative Assistant in the Fire Department could be utilized. This consolidation has the added benefit of greater oversight of the Building Department. The estimated financial gain/savings would be \$55,084. The estimated implementation date is Second Quarter 2012.

The Bay City Fire Department is investigating the possibility of partnering with a private EMS provider by placing ambulances in fire stations. A partnership could be developed with either Bay Regional Ambulance or MMR Ambulance for EMS delivery. The estimated financial gain/savings would be between \$70,000 and \$350,000. The implementation date is Third Quarter 2014.

The Bay City Fire Department participates in regional training with the Bay County Fire Departments. The past two years the Bay City Fire Department expanded and participated in

regional training with other fire departments within Bay County. Examples of this training includes: Rapid Intervention Team Training, Water Supply Training, Mass Casualty Training, Fire Operations Training and Firefighters Academy. This training will continue in the future. In 2012 there is scheduled a regional flood training exercise. Although there is no financial gain from this training it does strengthen relationships within the participating fire departments, giving them an opportunity to work together and practice their skills before an emergency occurs.

The Bay City Fire Department is in the processes of implementing its Paid On Call Fire Fighter Program after the graduation of seven students from Bay County Fire Academy. Once orientation of new members is complete, the city will begin utilizing paid-on-call personnel along side of its fulltime fire fighters. The implementation of paid-on-call fire fighter program is estimated to save the city \$400,000 annually. Additionally, the city will be discussing with neighboring fire chief's the possibility of creating a Paid On Call Fire Fighter Authority, which would facilitate the pooling of resources and equitable distribution of costs associated with sharing of paid-on-call personnel. Many Bay County townships' struggle in attracting sufficient volunteers for their fire departments.

Consolidation of the Treasurers Office & the Accounts Receivable Department

In 2006, the City reduced the number of cashiers in the Treasurer's Office from two to one. Periodically, the volume of service has demanded assistance from other departments in opening mail, processing payments or staffing the customer service window. For the past several years, the City Treasurer has requested additional staff to address this personnel shortage. On October 12, 2010, the City experienced a fire at City Hall, which required the city to establish temporary operations at off-site locations. One temporary location included the combining of the Treasurer's office and Accounts Receivables Department. This consolidation has resolved the periodic fluctuation of receipting taxes and utilities bills without the expansion of fulltime staff. When operations are re-established at City Hall, city will officially consolidate the Treasurer's Office and Accounts Receivable Department into a single department resulting in several benefits. Those benefits include (1) reduction of overtime, (2) avoidance of increased staffing, the consolidation of the two departments accommodates the Treasurers Office regarding customer service and work load avoiding the need to hire a full time employee saving the City \$30,336 per year, (3) more efficient customer service and (4) the possible elimination of two Limited Term Temporary Employees at an annual cost of \$73,838, which were established to assist with the workload in the Accounts Receivable Department. The Letter of Agreement with the Union, which was signed on January 28, 2011, identified an 18 to 24 month period in which these temporary employees could work. These two temporary positions may be eliminated after the City has successfully installed its Automatic Metering Infrastructure. The estimated financial cost savings is \$104,174 per year. The estimated date of implementation is Third Quarter 2012.

Future Consolidation of Streets with the Water & Sewer Departments

The City of Bay City recently combined the Water Distribution and Sewer Maintenance Departments. The consolidation of these departments will afford the city the opportunity to reduce personnel costs long term and increase the workforce availability to address large or

emergency repairs. In the future the City of Bay City would like to integrate the Streets Department into the Water & Sewer Department under the broader title of the Public Works Department. This would cut operating cost and better utilize cross-training. The estimated implementation date of this project is between three and five years. The estimated financial gain/savings is between \$500,000-\$750,000.

CURRENT COOPERATION, COLLABORATION & CONSOLIDATION EFFORTS

Renewable Planning & Procurement

The City of Bay City is committed to increasing its use of renewable energy sources. Membership in Michigan Public Power Agency (MPPA) has benefited the City in several ways to this end. MPPA staff has become the clearing house for evaluation of proposals from renewable energy developers from around the state. In fact, MPPA has analyzed a wide range of wind, solar, biomass and landfill gas proposals. Through these efforts and because of the pooled groups greater buying power, the city is able to sign up with two landfill gas renewable developers Granger & North American Natural Resources. Output from the resources, which have already been brought on line, has afforded the City in meeting its 10 percent renewable energy goal ahead of schedule. The cost has been \$10 per megawatt-hour less than other renewable alternatives and the average output of resources has been 90% versus 40% from the best wind alternatives.

Current Shared Services that Provide Cooperation but not Financial Gain to the City

The Bay City Fire Department is a member of Bay County Mutual Aid Box Alarm System (M.A.B.A.S.) Division 3301. M.A.B.A.S. is available to all Bay County Fire Departments. The purpose of M.A.B.A.S. is to provide an operational guideline for member fire departments and their personnel in establishing an effective mutual aid process. There is no financial gain from M.A.B.A.S. It helps provide greater public safety.

The Bay County Fire Department is actively sharing services with the Bay County Fire Investigation & Support Team. The Bay County Fire Investigation Team was originated in December 2011. The team is comprised of trained fire and police investigators who have committed their time and skills to assist other agencies within Bay County in conducting origin and cause investigations. The concept of the team is to provide area Incident Commanders and their investigators investigative resources that they may not have or to add to their current resources in order to determine the most likely cause of a fire or explosion. These causes will be determined through effective interviews, scene examinations, tedious scene processing and follow up. The estimated financial impact is neutral since no income will result from this shared service. The major outcome of this partnership is a solid working relationship with neighboring communities in Bay County. The most significant gain for the Bay City Fire Department is access to increased resources. Currently the Bay City Fire Department employs one certified Fire Investigator. If this person is unavailable to investigate a fire, the Bay City Fire Department

Will be able to enlist the assistance of another department's investigator from the Bay County Fire Investigation Team. Also, if there is a large scale fire, fire fatalities, or another significant event, the Bay City Fire Investigator would be able to receive assistance. The Bay City Fire Departments will also be providing assistance to other communities for the same type of events if requested. This shared service will enhance public safety and increase effectiveness.

The City of Bay City is a member of the U.S. Communities Government Purchasing Alliance. This service combines the potential cooperative purchasing power of up to 90,000 public agencies. Thereby, the City will have access to the best overall supplier pricing for government. This service has no user fees and could potentially realize some savings on the purchase of automotive parts. The City of Bay City has been a member is November 1, 2011. As such, the estimated financial impact is unavailable at this time since there is no financial cost.

The City of Bay City provides the sale of gas for Bay County Library System and Bay City Housing Commission. This partnership allow those other public entities in obtaining bulk pricing for the municipal vehicles, which results in overall low costs to taxpayers.

The City of Bay City is currently involved in many other Cooperation/Consolidation efforts not listed above. Many of these efforts have been occurring for multiple years and are ongoing. The savings from these activities will continue to rise over time. The chart below entitled "City of Bay City- Current (2011) Consolidation/Cooperation Projects" contains examples of current cooperation/consolidation efforts resulting in financial gain/savings. This list is not intended to be exhaustive, but offer a snap-shot in key service areas.

City of Bay City- Current (2011) Cooperation, Collaboration & Consolidation Plan

Description of Service	Participating Units	Estimated Annual Cost Savings/Revenue	Comments
IT Services For DDA/Housing/ City Attorney	IT/DDA/Housing/ City Attorney	\$5,000	
Watergems (GIS Services)	IT/Engineering/Water Dist/Bay County	\$7,000	
BAYGIS	IT/Assessing/Bay County/ Saginaw County	\$1,500	
ARMS	IT/Police/Saginaw County/Bay County	\$74,000	
MDT Support	IT/Police/Bay County	\$19,700	
Temp. Employees on community service	City Parks Dept./70 th District Court	\$1,865	
Ownership in Power Plants	City/MI Public Power Agency (MPPA)	\$2 million	Ownership in Belle River & Campbell plants
Crime Mapping	IT/Bay County Sheriff	\$2,600	
Election	City/Bay County ISD/Bay City Schools	\$8,252	
Consolidation of Precincts	Internal	\$8,650	From 27 to 9
Mutual Aide	City/Sebewaing Light & Water/Thumb Electric Cooperative & Consumers Energy/St. Louis	\$25,000+	\$25,000 per day during a major storm
Training	City/Michigan Electric Cooperative Association	\$15,000	
Ownership in Power Plants	City/ MPPA	\$100,000+	Ownership in AMP Fremont Energy Center
Energy Optimization	City/MPPA	\$27,500	
Removal of Ash Trees	City/Bay County	\$200,000	
BRYNE/JAG Assistance Grant	Bay City Police Dept./Bay County Sheriff's Dept.	\$9,332	
Consolidation of Water & Sewer Departments	Internal	\$145,000	Consolidation completed, savings beginning Jan. 2012
Regional Response Team Network	Bay City Fire Dept./Saginaw City Dept./Midland City Dept.	\$52,109	Amount of grant money received in 2011
Region 3 Technical Rescue Team	Bay County Fire Departments	\$41,930	Amount of grant money received in 2011
Purchasing	State of MI/City of Bay City	\$1,000 per bid	Member of State of MI Extended Purchasing Program
Wayfinding Signage Initiative	Bay City Noon Rotary Club/Downtown Development Authority/MDOT-Byways Grant/MEDC Urban Revitalization Grant/City of Bay City- Economic Development Department	\$233,718	To develop a fully integrated system of signage to support wayfinding.
Police Officers in Public School	Bay City Public School/Bay City Police Department	\$127,147	2 Police Officers for 9 months at Bay City Public Schools

Past Consolidation Efforts

Since 2002, the City of Bay City through attrition has reduced its full time workforce by approximately 135 positions, which on average has reduced labor cost by \$9,488,173. For Fiscal Year 2012, the City of Bay City continues to examine full time positions that become vacant. The evaluation includes: (1) is the position required by law, (2) Can the duties be combined or contracted, and/or (3) Can the City utilize alternate employment (i.e. temporary agency).