Michigan Department of Treasury

Technical, Assistance, Training and our Approach to working with local governments and schools

Mission

• To foster and maintain local financial and economic sustainability through a process of regulation and engagement with communities and school districts

Two Main Approaches to Fiscal Health and many Questions

• Remediation
  – How to address the problem after it happened
  – State intervention strategies such as financial control boards, emergency managers and bankruptcy
• Prevention and Maintenance ***
  – Fiscal stress identification strategies
  – Early warning systems
  – Fiscal tools
Our philosophy

• Prevention
  – Maintain local fiscal health and prevent deficits

• Partnership
  – Work with communities and schools; find common solutions and share ideas

• Analytics
  – Use of data and data analysis to generate knowledge of trends, risks

Alternative Definitions of Fiscal Sustainability

• Revenues grow at inflation + population (or perhaps include a measure of capital stock)

• Revenues must grow to meet continued provision of current services and capital needs

• Ability of government to sustain its current spending and tax policy without threatening solvency or default

One Possible Definition of Fiscal Sustainability

Decision making & governance that is future oriented that leads to a short/long term balanced budget and ensures that local governments can protect the public health, safety and welfare of present and future generations
Fiscal Distress vs. Fiscal Health

- **Fiscal Distress**
  - Generally based on cash flow and immediate short term problems
  - Cash ratios and fund balance ratios

- **Fiscal Health***
  - Based on long term sustainability of a government’s finances and operations
  - Measured by assets, revenue and spending per capita and ability to provide services
  - Structural deficit or surplus

FINANCIAL REGULATION

- State treasury has to balance being a regulator and auditor of local governments versus the training and technical assistance role

- Office of State Auditor has dinged us at times for the separation of these function issues
Municipal Financial Regulation

- Local charter and resolutions
- Administrative
- Judicial/case law
- Statutory
- Constitutional

Approaches to the State role in local financial sustainability

- **Regulatory**
  - Ensure compliance with a written set of rules and procedures
- **Technical Assistance**
  - Provide one tool specific and targeted for a community or school district
- **Grants**
  - Provide financial backing for specific or general purpose
- **Training**
  - Provide larger scale learning and tools for communities and schools

Municipal Fiscal Environment

- Economic and Social conditions
- State/Federal Fiscal Regulations
  - Statutory
  - Constitutional
  - Administrative
- Local management and local laws/ordiances
State Policy: Constitutional

- Constitutional Revenue Sharing (share of sales tax)
- Debt Limit based on property assessment
- Dedication of state budget to local governments
- Tax increases require local voter approval

State Policy: Statutory

- Statutory Revenue Sharing
- Municipal Finance Act (Bonding oversight)
  - SEC oversight of municipal securities
- Uniform Budget and Accounting Act (budget control and audit requirement)
- Local tax options
  - City income tax allowed, property tax act, local sales tax currently prohibited

Policy based on Judicial/Administrative

- Public purpose for public spending
- Headlee lawsuits
Local Management and Law

- City and county charter
  - Saginaw property tax limit
  - Manager versus strong mayor
  - Role of CFO
- Local government resolutions
- Local governance and financial management culture

Uniform Budget Act 1

- Requirement for Chart of accounts
- Requirement for Deficit elimination plan
- Requirement for annual financial report
- Requirement for reporting of derivative investments
- Prescribe minimum auditing standards
- Locals must pass general appropriations act

UBA 2

- A local government shall not pass a budget deficit
  - Total expenditures < total revenues including find balance and bond proceeds
- Budget amendments must be made as soon as possible
- No debt or obligation may be made unless authorized by budget
Municipal Finance Act (PA 34 of 2001)

• Control of municipal debt issuance
  – Qualifying statement
• Municipal default
  – Investigate and negotiate with creditors
  – Withhold revenue sharing
  – Muni has 90 days to comply with order or department is vested with all municipal powers
• Deficit elimination report

MICHIGAN’S LOCAL GOVERNMENT TRAINING AND TECHNICAL ASSISTANCE ENVIRONMENT

Major Local Associations

• Mich Association of Counties
• Mich Municipal League
• Mich Township Association
• Mich Municipal and County Treasurers Association
• Michigan Government Finance Officers Association
**Counties**

- New County commissioner training
- Counties host two meetings a year
  - Annual and legislative
- Counties host regional summits across the state

**Townships**

- Townships have a large educational and technical assistance staff
- Host one large annual meeting a year and several regional summits
- Host an intensive leadership academy (once a month for a year)

**Municipal and County Treasurers**

- Generally host two meetings a year
- Staffed by municipal league and county association; otherwise a volunteer association
- State Treasury frequently has updates at these sessions
Cities and Villages

- Host two large meetings a year, one annual and one legislative meeting
- Have a large technical assistance and training staff
- Provide assistance on insurance, hiring, charter development, etc.

Training (large scale)

- Conferences
- Events at other associations
- Webinars

Overall Vision

Outreach & Training

Date: November 17, 2017
To: Eric Semantic, Senior Deputy Treasurer
From: Robert Nickles, Departmental Analyst III
Subject: Outreach & Training Outreach

Goal / Vision

We will provide local officials across the state with targeted technical assistance to improve the fiscal health of their communities, better manage public services, and find ways to deliver services more efficiently. Ultimately, to improve the quality of life across Michigan communities.

Mission

We will plan and facilitate training, conversations, directly with our communities and association partners, and empower local officials through continued communication.
Coordination

II. Coordination with Association Partners
   A. Continuously meet with partner associations to build a trusting relationship
      i. This will open the door to co-sponsoring or sharing events or forums at our events
      ii. Co-host or sponsor conferences, regional trainings, and webinars
      iii. Engage associations to get our information into their newsletter and communications (e.g., promote our conferences, training sessions, and webinars)

   B. Partner associations include: Michigan Association of School Administrators (MASA), Michigan School Business Officials (MSBO), Michigan Association of School Boards (MASB), Michigan Association of Counties (MAC), Municipal Employers’ Retirement System (MERS), Michigan Municipal Employees (MME) and Michigan Townships Association (MTA)

Regional issues

Annual Conferences

III. Annual Conferences for Local Government and Schools
   A. Urgent Preparations and Early Planning
      i. Establish a core planning team
      ii. Identify partners and stakeholders
      iii. Plan the agenda and invite speakers
      iv. Communicate with attendees

Regional Training Workshops

IV. Regional Training Workshops
   A. Provide training workshops for local officials on topics such as budgeting, planning, and management
   B. Offer networking opportunities for local officials to connect and learn from each other
   C. Host regional events for local officials

School conference

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
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<tbody>
<tr>
<td>General</td>
<td>Regular gatherings for educators and students</td>
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<tr>
<td>Special</td>
<td>Workshops focused on specific educational needs</td>
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<tr>
<td>Community</td>
<td>Conferences linked to local community interests</td>
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Breakout sessions

- Room 209: Kathy Terning, Chief of Staff and Mary Toonken from SMHA on Handel Hill Resources & Right Resources
- Room 205: Linda Ford Ward, Chief Operating Officer, and Gretchen, Downtown Strategy, Community and Economic Development
- Room 204: Greg Keld, Andy Bruckner, and David Allen from ACC on Community Renewal: Engagements and Next Steps
- Room 206: Bob Cobb and Louise Mikesch from Treasury on Budgeting ACM’s - Budgeting Techniques and Monitoring Requirements
- Room 207: Heather Fitz and Bill Mullen from Treasury on Preparing the State for Commissioner’s Audit of Minimum Assuring Stipulations
- Room 208: Panel Discussion moderated by Bob Maguire with panelist: Andrea Breschin, Chief Financial Officer of the Governor’s Office, and Cross Timbers on the Assessment of the Benefits and Challenges of Fiscal Management and Right Resources

Local Government conference

Next local government conference
GRANT PROGRAMS

FDCTV
• Only can be used for communities where a formal state intervention has occurred
• Generally given for capital projects, feasibility studies

CGAP
• $20 million annual program for grants to communities
• Very open ended for applications
• Targeted mostly to assist in intergovernmental cooperation projects and capital projects
META group

- Targeted at assisting communities in economic, social and fiscal distress
- Involves all agencies that have community programs
- Michigan State Housing Development Authority, Treasury, Transportation, Environmental Quality, Natural Resources, Agriculture, Economic Development
- Involves mostly mid level management and civil service employees to avoid turnover during changes in administration

TECHNICAL ASSISTANCE

Technical Assistance (custom, one on one)

- Financially Distressed Cities, Villages and Townships grant (FDCTV) ($5 million)
- Local reimbursement program
- Auditing, Accounting and Financial Management
Examples

- Benton Harbor Schools

- City of Wayne

Benton Harbor Schools

- School is in the PA 436 process via a consent agreement

- School needed to hire a new CFO, but chose a firm instead
  - Treasury reimbursing for these costs
  - Working in partnership with MDE
City of Wayne

- City facing a huge legacy cost burden; just lost a major lawsuit with retirees
  - $10,000 per resident

- Treasury paying for a consultant to work with city
  - Grant prioritization

- City facing a major general fund deficit in 2019

PENSION AND OPEB CHALLENGES
• Must promulgate best practices for local governments to consider in developing corrective action plans

• Approves the submission of uniform actuarial standards that must be followed by all local governments

Municipal Stability Board (MSB)

• Three person board consisting of:
  – One member representing state officials
  – One member representing local officials
  – One member representing employees and retirees