

## Michigan Department of Treasury

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

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## Mission

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

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## 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

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## 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

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## 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

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## 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

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## 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 governments finances and operations
  - Measured by assets, revenue and spending per capita and ability to provide services
  - Structural deficit or surplus

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## FINANCIAL REGULATION

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## Financial Regulations

- 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

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## Municipal Financial Regulation

Local charter and resolutions

Administrative

Judicial/case law

Statutory

Constitutional

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## Approaches to the State role in local financial sustainability

- Regulatory
  - Ensure compliance with a written set of rules and procedures
- Technical Assistance
  - Provide one one one specific and targeted tools to 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

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## Municipal Fiscal Environment

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

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### 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

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### 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

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### Policy based on Judicial/Administrative

- Public purpose for public spending
- Headlee lawsuits

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## 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

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## 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

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## UBA 2

- A local government shall not pass a budget deficit
  - Total expenditures < total revenues including fund balance and bond proceeds
- Budget amendments must be made as soon as possible
- No debt or obligation may be made unless authorized by budget

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## Municipal Finance Act (PA 34 of 2001)

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

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## MICHIGAN'S LOCAL GOVERNMENT TRAINING AND TECHNICAL ASSISTANCE ENVIRONMENT

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## Major Local Associations

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

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## Counties

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

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## 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)

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## 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

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## 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....

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## Training (large scale)

- Conferences
- Events at other associations
- webinars

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## Overall Vision

### Outreach & Training

**Date:** November 17, 2017  
**To:** Eric Scorsone, Senior Deputy Treasurer  
**From:** Robert Widigan, Departmental Analyst 11  
 Daniel Horn, State Administrative Manager  
**Subject:** Outreach & Training Outline

#### Goal / Vision

We will provide local officials across the state with expert technical assistance to help them improve the fiscal health of their communities, better safeguard public assets, and find new ways to deliver services more efficiently. Ultimately, to improve the quality of life across Michigan's communities.

#### Mission

We will plan and coordinate training, communicate directly with our communities and associations partners, and empower local officials through consistent communications.

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## Coordination

### Coordination

- II. Coordination with Association Partners
  - A. Continuously meet with partner associations to build a trusting relationship
    - i. This will open the door to us speaking at their events or them speaking 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, trainings, webinars, and news)
  - 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 Employees' Retirement System (MERS), Michigan Municipal League (MML) and Michigan Townships Association (MTA)

## Regional issues

### Annual Conferences

- III. Annual Conferences for Local Governments and Schools
  - A. Upper Peninsula and Lower Peninsula for each
    - i. Responses are overwhelmingly positive
    - ii. Currently preparing documents for spring event in Marquette (local government)
      - a. The Marquette school conference at Northern was roughly \$4,000
      - b. **Question for Eric:** We discussed the other day that the next conference for local government will be in Marquette this spring – is that still the plan?

### Regional Training Workshops

- IV. Periodic Regional Training Workshops
  - A. Focused sessions targeted at certain local officials hosted by Treasury only or co-hosted with partner associations
  - B. We already have the speakers available within our staff
  - C. Short training sessions for communities
    - i. If is key we deliver here, this is how we make or break our image!
    - ii. Approachable and friendly face for Treasury – makes us accessible
    - iii. Provides communities with economically efficient ways to improve their financial or operation situation.

## School conference

Time	Topic	Personnel
8:00 am to 8:30 am	Registration & Breakfast	
8:30 am to 9:00 am	Welcome & Introduction	Michelle Mitchell Michigan Department of Treasury, Department of Educational Services, Michigan State Police Eric Gorman Doree Newman
9:00 am to 9:30 am	State Government	Eric Gorman Doree Newman
9:30 am to 10:00 am	Special Education Funding	Barry DeWitt Doree Newman
10:00 am to 10:30 am	Partnership Programs	Dr. Sandy Walker, Patricia Anderson & Brian Johnson Doree Newman, Andrew Johnson
10:30 am to 11:00 am	Peer-to-Peer Competition Fund	John Berman & Doree Newman
11:00 am to 11:30 am	Breakfast Break	Michelle Mitchell, Doree Newman, Andrew Johnson
11:30 am to 12:00 pm	Michigan Family Care Initiative with Michigan Department of Social Services	Andrew Deane Council
12:00 pm to 1:00 pm	Lunch	
1:00 pm to 1:30 pm	State - 1001	Michelle Mitchell, Doree Newman, Andrew Johnson
1:30 pm to 2:00 pm	Special Education	Barry DeWitt, Doree Newman
2:00 pm to 2:30 pm	Afternoon Break	
2:30 pm to 3:00 pm	Archeological Impacts of Historical Districts	Mark Wilkins Michigan Department of Historical Sites Michigan Department of Transportation
3:00 pm to 4:00 pm	Legislation Fund	Eric Gorman, Doree Newman Michigan Association of School Administrators Michigan School Districts Officials Michigan Association of School Boards
4:00 pm to 4:30 pm	Closing Remarks (2021), Thank you	

## Breakout sessions

- Room 203: Katy Twining, Chad Coffman and Mary Townley from MSHDA on Hardest Hit Resources & Blight Resources
- Room 205: Michelle Parkonen and Laura Kinzo with MEDC on Redevelopment Ready Communities and Michigan Main Street
- Room 104: Gary Heidel, Andy Martin and David Allen from MSHDA on Community Housing Assessments and How Communities Can Utilize Assessments To Develop Affordable Housing
- Room 101-103: Derek Hill and Roxanne Nicholas from Treasury on Budgeting FAQs – Budgeting Processes and Statutory Requirements
- Room 202: Heather Frick and Kelli Sobel from Treasury Property Tax Administration on An In-Depth Analysis of the State Tax Commission's Audit of Minimum Assessing Requirements
- Room 204: Panel discussion moderated by Rob Widigan with panelists Andrew Belinger and Monica Drake from DTM, Chelsea Rademacher and Chad Somerville from Treasury on Presentation on The Benefits and Challenges of Social Media In Government and How To Develop Your On-line Presence.

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## Local Government conference

Agenda		
Time	Topic	Presenter
8:00am to 8:30am	Registration & Breakfast	
8:30am to 9:15am	Welcome & Introductions	Mark Knorr State Treasurer
9:15am to 9:55am	Efficient Provision of Services	Dr. Eric Saporone Senior Deputy State Treasurer
9:55am to 10:30am	Efficient Provision of Services	Ar Vandenberg Citizen County
10:30am to 10:35am	Morning Break	
10:35am to 11:30am	Breakout session 1	
11:30am to 12:30pm	Breakout session 2	
12:30pm to 2:00pm	Lunch with Keynote Speaker	Dr. Charles Ballant Michigan State Univ.
2:00pm to 2:15pm	Breakout session 3	
2:15pm to 2:30pm	Afternoon Break	
2:30pm to 4:15pm	Legislative Update from MAC, MERL, MML and MFL	
4:15pm to 4:30pm	Closing Remarks	Dr. Eric Saporone Senior Deputy State Treasurer

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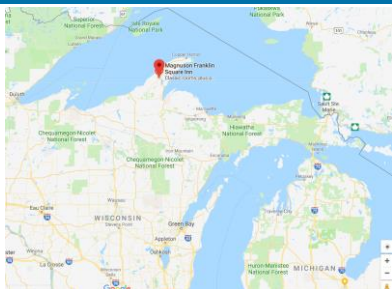
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## Next local government conference




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**GRANT PROGRAMS**

**FDCTV**

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

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**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

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## 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

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## TECHNICAL ASSISTANCE

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## Technical Assistance (custom, one on one)

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

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## Examples

- Benton Harbor Schools
- City of Wayne

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## Benton Harbor Schools




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## 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

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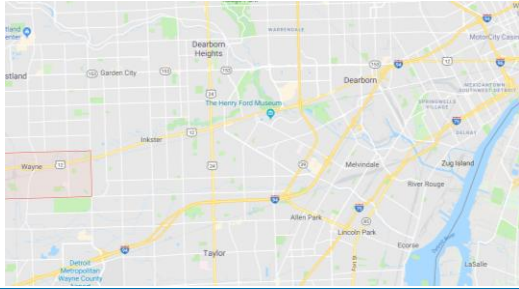
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## City of Wayne



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## 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

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## PENSION AND OPEB CHALLENGES

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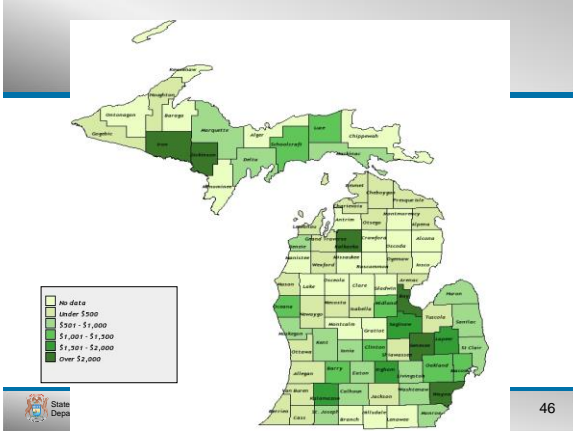
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## Municipal Stability Board (MSB)

- 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

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## 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

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