

CITY OF OTSEGO

2014

CATEGORY 2 OF THE STATE OF MICHIGAN
ECONOMIC VITALITY INCENTIVE PROGRAM



A PLAN TO COOPERATE, COLLABORATE,
AND CONSOLIDATE SERVICES

SUBMITTED JANUARY 15, 2014

EXECUTIVE SUMMARY

To meet the new State of Michigan mandate to improve intergovernmental cooperation throughout the state and local governments, the City of Otsego has prepared this document to show previously proposed consolidation efforts, an update of status towards the implementation of the previously proposed consolidative efforts and potential future consolidative efforts. This document will therefore have two primary components: Previously Proposed Consolidative efforts with their current status of implementation and Potential Future Consolidation. Both components are done in such a way for quick review and analysis. It is important to note that while estimated savings are required, they are in fact only estimates. Many costs or savings are determined by variables which are uncontrollable and may change any given year. It is also important to note that the following does not include reduction of personnel of City employees and increased workload of existing employees. Finally, this is not an exhaustive list of current or potential collaboration efforts.

Also included in this document is a listing of collaborative efforts fully implemented. While not required by the State, it is important to illustrate the efforts already undertaken by the City to collaborate and reduce costs for essential service.

PREVIOUSLY REPORTED EFFORTS

1. Shared Assessing Services: The City of Otsego employs a part-time City Assessor. There is a future potential of sharing an Assessor with the City of Plainwell or another local unit of government. There is also the potential of the City contracting with Allegan County to provide the service through an agreement. Ideally, the county would provide an Assessor shared by multiple small units of government in the area, including the City of Otsego, City of Allegan and the City of Plainwell.

Potential Savings approximately \$3,000: The savings are based upon the difference between an estimated contract with the County of \$17,000 compared to the current cost of \$20,000 for the part-time City Assessor. The actual savings may be less or more depending on a negotiated contract with the County.

Time Line: Preliminary discussion occurred with the Allegan County Equalization Department in the month of June, 2012, while seeking applicants for a part-time City Assessor. During the month of April, 2014, an email will be delivered to Allegan County Cities to determine if contracts for their part-time assessors will terminate, which will provide an incentive for those units to consider an agreement with the County. Potential for County to consider an agreement is in June, 2014. June of 2014, this consideration will be brought the County for consideration.

Barrier: According the County, this is unlikely, due to the need for several units of government to request the service which is necessary to justify the County to hire additional qualified staff.

2. Meter Reading: The City currently has a part-time employee complete the meter readings for the City. It is anticipated that the employee may retire soon. Upon his retirement, the City may share an employee with the City of Plainwell, to complete meter reading for both communities.

Potential Savings approximately \$20,000: Savings are based on a shared part-time employee in lieu of a using a full time employee, with benefits, completing the same activity.

Status: On hold. The City continues to use a part-time employee for the service, so a collaborative effort would result in no savings at this time.

Time Line: It is estimated that this may be addressed in the year 2015, if the current employee discontinues the service.

3. Possible Future Fire Agreements/Authority: The City of Otsego currently has an agreement for fire protection and emergency services with Otsego Township. The City of Plainwell is within 3 miles of the City of Otsego and both communities provide fire protection. Savings may be found by expanding the contract between the City of Otsego and Otsego Township to include the City of Plainwell. Additional savings may be found by including additional units and establishing a Fire Authority.

Potential Savings \$30,000-\$50,000: The estimated savings are determined by the number of units included in shared contract and the formula determining the shared costs.

Status: Still under review. The City continues to provide services to Otsego Township; however, the City of Plainwell continues to provide fire protection to its residents independently. The primary hindrance appears to be the inability to find savings due to the need to provide a similar number of fire trucks, buildings and personnel to provide the same service. Another issue impacting any potential savings is the fact that Plainwell has already combined police and fire services through a Public Safety Department. Discussions continue and include the potential of including other units of government and a potential authority for the region. The potential that this may occur will be reviewed further this year. A grant to hire a third party to study the potential collaborative efforts is in order, assuming all parties will participate.

Time Line: Potential grant application in August of 2014. Potential collaborative agreement in August 2015.

NEW POTENTIAL COLLABORATIVE EFFORT

1. **Electric Consolidation:** The City has entered into an agreement with Noble Americas Energy Solutions for electricity. The City is therefore enrolled in the electric queue, so when the cap for competitive energy services is eliminated, the City may benefit from alternate electricity providers.

Estimated Savings: \$16,700. This represents ten percent (10%) of the current annual cost of services through Consumers Energy. The actual savings is unknown at this time and will be determined by third party rates.

Barrier: The State is required to amend legislation which would eliminate the cap on competition, require divestiture by utilities of generation and allow municipal aggregation for residential and small commercial customers.

Time Line: It is unknown when the State House Energy and Technology Committee will consider legislation to eliminate the competitive energy services cap.

2. **Proposed Partnership with Otsego Township for Police Coverage:** Otsego Township is contiguous with the City of Plainwell, City of Otsego and Gun Plain Township. Otsego Township has a very large commercial district that is formally serviced by the

Allegan County Sheriff's Department. However, Plainwell and Otsego City (as well as the contracted officer servicing Gun Plain Township) is regularly called to service Otsego Township's commercial district. A January, 2014 meeting with all four municipalities has been agreed to for the purpose of discussing how police service costs can be shared.

Estimated Savings: It is estimated that the City of Otsego expends approximately 100 hours a year in response for calls for service. If Otsego Township is in agreement to cover actual costs for calls for service it would provide an additional \$5,000 towards the cost of providing police department. If the Township is in agreement to partner for police coverage in a similar manner as they have for Fire Protection, the expected revenue would be approximately \$370,000, which represents half of the costs associated with providing the City of Otsego Police Department.

Barrier: Otsego Township must be in agreement to provide remuneration for this service which has been provided without reciprocity.

Time Line: A meeting with the parties involved is schedule for to occur in January 2014. It is desired that an agreement will be executed before January 2015.

3. Proposed Partnership with Otsego City Fire Department: Over the past year, the City of Plainwell and Otsego City have informally discussed ways in which an increased partnership between the two municipalities could result in cost savings and service delivery improvements. Over the next several months it is the City's intention to explore the possibility of formalizing collaborative efforts as it relates to equipment purchases, personnel and training.

Estimated Saving: Annual savings to the City is estimated to be \$6,000. Potential savings through joint grant applications could result in several hundred thousand dollars of savings of the course of subsequent years. Savings are a realized through sharing cost to provide meeting space and certified trainers.

Time Line: The practice of sharing the cost of training began this fiscal year (June, 2013) and remains in practice. Other forms of collaboration will continue to be evaluated through this fiscal year.

CONTINUED COLLABORATIVE EFFORTS

1. Otsego Area Recreation Council: The City of Otsego, Otsego Township and the Otsego Public Schools have formed a recreation council. The City and Township both contribute \$14,000 towards the cost of providing parks and recreation services to the City and Township residents. The Otsego Public School employs two full-time employees through its Community Education Department to administer recreational programs such as the following: youth baseball, softball, adult softball, open swimming, drivers education, before and after school programs, senior citizen activities, youth basketball, youth volleyball, drama, men's recreational basketball and other community recreational programs as needed.

Estimated Savings of \$100,000: The estimated savings are based upon the City having to employ and two full-time employees and provide benefits. Additional savings are found through the school making its facilities (pool, gymnasiums, parking lot, etc...) available to the public for the programs offered.

2. Agreement with Centerpoint Energy: The Michigan Municipal League partnered with Centerpoint Energy which enabled local units of government to contract with Centerpoint for reduced natural gas prices. As a member of the Michigan Municipal League, the City was able to contract with Centerpoint Energy for natural gas, and benefit from the reduced costs of natural gas. It is not known how many other units of government have contracted with Centerpoint.

Estimated Annual Savings \$2,600-\$3,000: The City already had a month to month contract with a third party provider (Volunteer Energy) which provided natural gas at reduced rates, compared to the rates provided by Michigan Gas Utilities. The estimated savings is based upon the estimated demand for natural gas at the new rate compared to the actual demand and cost of natural gas used through Volunteer Energy. The actual savings compared to the rates we previously paid to Michigan Gas Utilities is estimated to be \$6,000-\$6,500 annually.

3. Intergovernmental Agreement for Fire and Rescue Services: The City of Otsego provides fire and emergency first response service to Otsego Township, by contract.

Estimated Savings of \$90,000: The estimated savings is equal to the amount each unit provides each fiscal year. The City and the Township share in the cost of the department is almost equal and the annual budget shared between the two is approximately \$180,000

4. Intergovernmental Agreement for Ambulance Services: The City is a party to an agreement for ambulance service with the City of Plainwell, Otsego Township, Gun Plain Township and Borgess –Pipp Hospital. The hospital provides the two active ambulances at all times, as well as the personnel required to administrate the ambulance facility and the personnel necessary to staff the ambulances. The City contributes approximately \$8,000 for the service.

Estimated Savings of \$300,000: The savings is based upon the need for the City to employ nine personnel, purchase two ambulances and provide a facility to house the ambulances. The savings may be even greater, due to costs of maintaining supplies in the ambulances and facility. Savings are also achieved in property and liability insurance.

5. Intergovernmental Agreement for Cemetery Services: The City contracts with Otsego Township for cemetery services. City residents are able to benefit from cemetery, while the Township owns and operates the cemetery.

Estimated Savings of \$29,000: The cost of operating the cemetery is approximately equal. The City current fiscal year allocation is \$28,200, which represents approximately half of the actual cost of the Cemetery activities.

6. Agreement for shared use of Firing Range: The City of Otsego owns and maintains a training facility for the police officers required firearms training certification. An agreement between the City of Otsego and the City of Plainwell may be completed allowing Plainwell Officers the use of the facility. The savings varies annually depending upon the costs incurred by Plainwell Police Officers securing other facilities to complete their annual training certifications.