

## Section 3: Operations

# Chapter 12: Municipal Service Options

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### Introduction

A principal responsibility of municipal government is to make sure that when residents turn on their faucets, clean and safe water comes out; when they call 911, the police, fire fighters, or EMTs show up quickly with all the necessary equipment to help; when they flush their toilets or take showers, everything disappears down the drain never to be seen again; when they put their trash and recyclables at the end of the driveway, a truck will come by and take it away; when they have to go to work, get groceries, or drive the kids to school, the streets will be clear of snow, rain, and potholes (or at least the big ones); and when they've had a hard week at work and want to relax with their families, they have parks, libraries, and other places to enjoy their time off. These examples are just a handful of the many types of public services residents and businesses expect their municipal officials to provide for them daily.

A municipality's ability to effectively provide and perform public services can be the difference-maker when it comes to people and businesses making decisions about where to locate and remain. In many ways, it is what separates strong, resilient, and successful communities, from weaker and failing ones.

As the elected leaders, it is up to the members of municipal council to make decisions about the types and extent of public services to provide in the community, and there are a number of driving forces behind such decisions. Once those decisions are made, there must be an effective and ongoing effort to properly provide, manage, and maintain the services, which involves joint and cooperative undertakings by the council, the municipal administration, consultants, contractors, and sometimes even nearby communities. In many instances, the public services will also be subject to federal, state, and county regulations. Most residents and users of the services have no comprehension of what goes into providing the service to them. They usually don't even think about it (and they don't want to), at least until something goes wrong, or the fees or taxes for the services become unaffordable.

Therefore, as municipal officials, it is advisable to have this subject on your list as a primary area to focus on and build your knowledge base. To help you get started, this chapter will discuss the various types of public services that a municipal can provide to its residents, businesses, and visitors, and the various options (and challenges) for funding and providing those services. Kindly keep in mind that, by necessity, this is a very general and abbreviated discussion of this topic, and you are encouraged to seek out and gain a

thorough understanding of the public services provided or worth considering in your community from your fellow officials and administrators.

**Types of Public Services**

There are many statutes that provide municipalities the authority to provide a long list of services to the public. They range from types of public services that are familiar to most people, to some that are provided in only a limited number of communities with particular characteristics, conditions, and needs. Here is a partial list to demonstrate the wide variety of services provided in many Michigan communities, but keep in mind that it is up to the public officials in each municipal to carefully examine and decide which public services are needed, appropriate, and affordable for their individual community:

- Police
- Fire
- Emergency Medical/Ambulance
- Water
- Sanitary Sewers (Wastewater Management)
- Storm Sewers (Stormwater Management)
- Solid Waste Management
- Recycling
- Streets & Roads
- Parks & Recreation
- Library
- Senior Services
- Transportation
- Lighting
- Sidewalks, Trailways and Safety Paths
- Electricity
- Cable/Broadband
- Zoos
- Museums
- Health Care/Hospitals
- Animal Control
- Zoning Administration
- Construction Code Administration
- Property Maintenance Code Administration
- Weed Control and Lake Dredging
- Economic Development

**Funding Options for Public Services**

As part of the annual budgeting process described in Chapter 19, public officials are responsible for determining how much funding is necessary to meet the needs of each public service that the municipality provides to the community. In addition to determining how much is needed, public officials must decide on the source of funding to meet the needs of each public service. Below are a number of funding sources that are typically considered, but it should be noted that there are Michigan statutes and case law, which establish special requirements and levels of authority that apply to different types of public services and the funding methods that can be employed to pay for them.

As such, consulting with your municipal attorney and financial advisors will be a critically important part of your decision-making process.

*Taxes*

A municipality's general fund property tax will usually fund a number of the public services provided by municipalities, but it is common for municipalities to establish a special designated tax, or millage, that the voters separately approve for purposes of funding fund certain services. Some of the more familiar examples of special millages include police millages, fire protection millages, street millages, library millages, and parks and recreation millages, but municipalities may use this type of millage for most of the public service examples listed above. A special millage can only be used for the specifically designated purpose described in a millage ballot proposal that is voter approved.

A special millage might fund the full cost of providing the public service, or it might supplement funding from the municipality's general fund for the service. A community may choose to use a special millage for a number of reasons. For example, over time, the general fund may become an insufficient source of funding due to reductions in property values, inflation, or other demands on the general fund. Additionally, aging infrastructure may result in required replacement costs beyond what the general fund can bear, or the community may decide that it wants a higher level of service resulting in a substantial increase in the cost of providing the service.

*User Fees*

Charging fees to users of public services is also a common funding mechanism. The most recognizable examples of this are library book fees, public water fees, sewer fees, solid waste disposal fees, and building permit fees. However, there are many other types of fees that municipalities often charge in the course of providing public services. These include things like bus fares, storm sewers, entry fees for museums and zoos, and fees charged to use recreational facilities or participate in programs put on by senior centers and parks and recreation departments. An increasing number of communities are establishing other fee-based utility services, such as electricity, cable, and broadband. Although less common and often limited to certain circumstances, there are instances in which municipalities charge fees for ambulance or other emergency services.

As discussed in Chapters 18 and 22, fees are not appropriate for every type of public service. As a general matter, whether a fee can be charged for a service and how much can be charged are subject to certain restrictions or guideposts established by Michigan case law and statutes. Similarly, while it is not unusual for municipalities to charge a lower fee for residents than non-residents, this measure is also subject to certain legal limitations. Therefore, when deciding whether to charge a fee for a public service and determining how much to charge, it is advisable for municipalities to consult with their legal counsel.

*Special assessments*

Municipalities often use special assessments to fund certain types of public services or improvements associated with the provision of public services, such as streets, sidewalks, safety paths, lighting, sewers, water mains, weed control, and lake dredging. Increasingly, municipalities also use special assessments to provide funding for fire, police, ambulance, and recreation services. Special assessments are established when the service or public improvement benefits property owners within a definable district that can be established as a special assessment district (SAD). Only the properties within that district are required to pay the special assessment. Special assessments are not property taxes, but the effect of the public service or improvement on property value is a factor that municipalities (and reviewing courts) must take into account when deciding on the amount of a special assessment charged to each property. Chapters 18 and 22 discuss the topic of SADs in much more detail.

*Bonds*

Municipalities can issue bonds to pay for many things associated with the provision of public services.

For example, bonds are sometimes used to pay for large, high-cost infrastructure projects like building a fire station, a library, parks and recreation facilities, major water or sewer system improvements, road projects, etc. The list is long, but bonded projects are usually necessary for the provision of some type of public service in the community. Although issuing bonds results in the municipality incurring a debt that has to be repaid with interest and administrative costs over time, it enables the municipality to take on needed projects that involve a substantial lump sum up-front cost to complete without causing large spikes in taxes, fees, or assessments in order to pay for them. While it is true that taxes, fees, and assessments are ultimately used to make the bond payments, bonds have long-term payback periods, which enables the municipality to keep the amounts charged to the service users for the project relatively level. It also helps maintain fiscal stability for the municipal government (or public utility or authority), as a whole. Bond financing is discussed further in Chapter 21.

*State & Federal Funding, Grants, and Donations*

Costs associated with many of the public services discussed above are eligible for state and federal funding and grants. Similarly, there are many private organizations that provide funding for various types of public services, such as libraries, parks, recreation, education, economic development, and more.

It sometimes can be a challenge to find these types of third-party funding opportunities, and the application process can often be daunting, but it is usually worth the effort.

Also, in some instances, grants, donations, and other third-party funding will come with strings attached, such as matching funds provided by the municipality from its other funding sources. While the conditions associated with any such third-party funding source are usually not a deterrent, the municipal administration and legal counsel should fully evaluate the municipality's ability to comply with them before a decision is made to accept the funding.

#### **The Level and Cost of Service**

Assume you have decided to go out for dinner tonight. Naturally, you will need to decide what type of restaurant to go to for your meal. That decision will probably be based on a combination of things, such as the kind of food you want, how hungry you are, how good the food and service is at various restaurants, whether you want sit-down or fast food service, and how much it will cost. Typically, the cost of that meal will depend on your decision concerning the several other service-related factors (i.e., the cost of the meal usually increases with the higher level of service provided). Unless you have limitless money, you will pick a restaurant that gives you the best of everything you want at a price that you are willing and able to pay.

Similarly, a person or business deciding whether to move into or remain in a particular community may make that decision based on the public services

provided in that community. As public officials, you, of course, want to provide each public service in a way that will motivate them to choose your municipality. To do so, for each public service, you have to find the balance between the *level of service* that your community desires with the *costs of service* that the users are willing and able to pay.

Take, for instance, roads. Everyone would love to have roads that have no potholes, no cracks, no traffic jams, and no accidents, but they know the cost of providing such roads is not economically feasible. So, they generally accept roads that are maintained at some lesser level of perfection, provided it doesn't cost them more than they want or are able to pay. The objective is to ascertain what the residents and businesses consider to be an *acceptable level* of service on balance with an *acceptable cost* to provide that service. Figuring this out is not easy to do. To help with this challenge, public officials usually work with experienced professionals (employed on staff or retained as consultants) to evaluate and report on *existing* levels of service, conditions of service, and affordability, as well as the improvements and adjustments to the service that are needed *going forward* to provide the service at a cost that is both acceptable to, and satisfies the level of service desired by, the community.

Although level and cost of service considerations are usually part of the council's annual budgeting, tax rate, and user fee amount decisions for each public service, many municipalities will conduct a much more formal and in-depth level of service/cost of service

study and report on a periodic basis for certain targeted public services. Such studies come with various titles or labels, but they are usually undertaken to assist the municipality's officials with planning and decision-making about the targeted public service for many years into the future.

**Methods of Providing Public Services**

There are many options for providing particular public services in your community. Many communities utilize more than one of these options for the various types of public services provided, depending on what fits and works best for their community and its available funding. The following are four common methods of providing public services:

*Municipal Personnel & Facilities*

With this method, the municipality uses its own buildings, equipment, materials, and employees to provide the service to the community. This is the most traditional and common method of providing public services, and it provides the highest and most direct level of control over the services provided to the community. When an issue or complaint arises, it is handled directly by the municipality's public officials, usually starting with administrative officials, but sometimes with the involvement of the elected officials on council. Conversely, when public services successfully meet the needs and expectations of the community, the municipality and its public officials can take full credit.

*Independent Contractors*

The use of private contractors to provide public services is also common. It is sometimes referred to as privatization, which some view positively and others

negatively. Regardless, it is a legal and viable option for communities to consider. The decision to hire a contractor to perform a public service on behalf of a municipality can be driven by one or more factors, including qualifications, ability, training, resources, cost, liability, and efficiency.

For example, a municipality may wish to provide figure skating lessons as one of its parks and recreation programs.

Most municipalities will not have an adult figure skater on staff to provide the lessons and hiring a person as a part-time employee to perform this service may not make sense from a managerial and financial perspective. Moreover, there may not be a figure skater in or near the community who is willing to be hired as a part-time employee for this purpose. Therefore, it may make sense on multiple levels to hire an independent contractor to perform the public service, and indeed the municipality may have no other alternative, except to discontinue the public service.

While there are many instances of municipalities hiring independent contractors to provide or perform public services (or various aspects of public services), there are certain public services that municipalities typically will not use this method. These generally involve areas of essential services, such as police, fire protection, public water and sanitary sewer services, stormwater management services, and others.

Even still, municipalities will hire private contractors to perform specific *aspects* of these essential services. Examples of this include water and sewer infrastructure installation projects, emergency transportation (ambulance) services, and EMT services, which are often performed by private companies

under contract with a municipality. Furthermore, garbage collection and recycling are usually considered essential services, but, in Michigan, private companies hired by a municipality, or a public authority, often perform these services.

#### *Intergovernmental Contracts*

In some instances, it makes sense for two communities to enter into a contract in which one community will provide public services in the other community for compensation. Usually this will occur when the receiving community is not in a position, financially or otherwise, to operate its own public service or sufficiently meet the service demand in its community, yet its residents and businesses need or desire to receive the service.

The community providing the service must be sure that it has the capability and capacity to accommodate the level of service required, and the community receiving the service must be certain that it is able to administer the terms of the intergovernmental arrangement. Negotiating and entering into a detailed intergovernmental agreement that is fair and satisfies the needs of both communities is a key component to developing a viable and sustainable intergovernmental arrangement for public services.

#### *Public Authorities*

Various Michigan laws allow one or more communities to create an “authority,” through which they can provide services such as fire, police, ambulance, sewer, water, emergency dispatch, solid waste, land use planning, building inspection, and recreation, to name a few. When two or more communities join forces to

create such an authority, communities are able to share both financial and associated risks, and in some instances reduce costs. However, this optional method of providing public services is not always a good fit. First, it requires the establishment of a new public entity—the authority—which provides the services through its own separate governing body and administration (i.e., the municipality gives up quite a bit of control and is no longer the service provider in the community). Second, in the case of a joint authority, it requires long-term agreement and cooperation between multiple communities that are accustomed to having their own independent service provider. Third, sharing services is often a difficult adjustment for residents, and there is often concern that there will be a reduction in the level and quality of service.

When it comes to essential services, like police, fire, water, and sewer, these challenges and concerns are intensified among public officials and residents alike—for good reason. As such, it is important for public officials to thoroughly evaluate all aspects associated with the establishment of public authorities before making any decisions.

#### **Federal, State, and County Regulations**

Almost everything having to do with local government is connected, in some way, to laws or regulations enacted by the state or federal government, and sometimes even county regulations come into play. Likewise, with reference to the discussion topics in this chapter, state, federal, and possibly county laws

will likely impact how the various public services are provided in your community, the extent to which they are provided, and the costs of providing them. Therefore, it is important for public officials, consultants, and legal counsel to review and maintain compliance with whatever third-party regulations may apply to the services provided in your municipality.

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