GVMC

GRAND VALLEY METROPOLITAN COUNCIL

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Board Meeting Agenda

Thursday, May 3, 2012
8:30 a.m. ● Kent County Commission Chambers

1. Call to Order by Chair
2. Public Comment
3. Approval of Minutes April 2012 (attached)
4. Finance
   a. MDOT Audit Letter (attached)
5. Emerging Issues Update
   a. Scott Greenlee – Michigan Transportation Team
   b. Mic Gunderson – Kent County Emergency Management System
   c. Erika Rosebrook – Associate Director, Urban Initiatives, Office of the Governor
6. Transportation – Pavement Management Van Camera (memo attached)
7. Legislative Committee Update – PPT Meeting
8. Communications – News Items FYI (attached)
9. Other
10. Adjourn

GRAND VALLEY METRO COUNCIL

Board Meeting

April 9, 2012

10:30 a.m.

Prince Center

MINUTES

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1. Call to Order

The meeting was called to order at 10:30 a.m. by Chairman Jim Buck.

Members Present:

Jerry Alkema	Allendale Township
Alex Arends	Alpine Township
Jim Buck	City of Grandville
Daryl Delabbio	Kent County
Mike DeVries	Grand Rapids Township
Rebecca Fleury	Village of Middleville
Carol Hennessey	Kent County
Don Hilton, Sr.	Gaines Township
Denny Hoemke	Algoma Township
Cindy Janes	Cascade Township
Elias Lumpkins, Jr.	City of Grand Rapids
Robert May	City of Hastings
Mick McGraw	At-large Member
George Meek	Plainfield Township
Jim Miedema	Jamestown Township
Rick Root	City of Kentwood
Jim Saalfeld	Kent County
Al Vanderberg	Ottawa County
Rob VerHeulen	City of Walker
Bill VerHulst	City of Wyoming

Members Absent:

Dale Bergman	Sparta Township
Chris Burns	City of Cedar Springs
Tom Butcher	Grand Valley State University
Dan Carlton	Georgetown Township
Brian Donovan	City of East Grand Rapids
Jason Eppler	City of Ionia
Tom Fehsenfeld	At-Large Member
Steve Grimm	Cannon Township
Brian Harrison	Caledonia Township
Doyle Hayes	At-Large Member
George Heartwell	City of Grand Rapids
John Helmholdt	At-Large
Jim Holtrop	Ottawa County

John Hoppough	City of Greenville
Mark Howe	City of Lowell
Audrey Nevins-Weiss	Byron Township
Cy Moore	Treasurer
Steven Patrick	City of Coopersville
Jack Poll	City of Wyoming
Chuck Porter	Courtland Township
Milt Rohwer	City of Grand Rapids
Martin Super	Village of Sparta
Toby VanEss	Tallmadge Township
Patrick Waterman	City of Hudsonville
Roger Wills	City of Belding
Michael Young	City of Rockford
Chris Yonker	City of Wayland

Others Present:

Abed Itani	Grand Valley Metro Council
Andy Bowman	Grand Valley Metro Council
Chris Brown	Brown Accounting
David Czurak	Grand Rapids Business Journal
Dharmesh Jain	Grand Valley Metro Council
Peter Haefner	Vredeveld Haefner
Dennis Kent	MDOT
Gayle McCrath	Grand Valley Metro Council
Brenda McNabb-Stang	City of Hastings
Mark Murray	Meijer
John Weiss	Grand Valley Metro Council
Peter Varga	ITP / The Rapid

2. Approval of Minutes

MOTION – To Approve the Minutes of the March GVMC Board Meeting. MOVE – Meek. SUPPORT – Delabbio. MOTION CARRIED.

3. Public Comment

None

4. GVMC 2010/2011 Financial Audit

Peter Haefner of Vredeveld Haefner reported on the audit. It was begun before Christmas, however was held up pending the final resolution of the MDOT audit. A significant amount of the Phase II audit settlement had been held in accounts payable and substantially recorded already. Regis was not required to reimburse MDOT for the amount of their overpayment.

Vredeveld Haefner issued a clean opinion "the financial statements referred to present fairly, in all material respects, the respective financial position of the governmental activities and each

Draft

major fund of the Grand Valley Metropolitan Council as of September 30, 2011, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America."

As in years past, the auditors had a finding which is common to approximately 50% of public entities. It is typical and accepted. "Grand Valley Metropolitan Council does not have procedures in place to prepare financial statements in accordance with generally accepted accounting principles including procedures to record certain revenue and expenditure accruals and to present required financial statement disclosures."

Management's response: "Grand Valley Metropolitan Council maintains its financial records throughout the year on a modified accrual basis of accounting and has determined that any benefits derived from preparing annual accrual basis financial statements and required disclosures is not cost effective."

Highlights of the audit include the lease on the Pavement Management Van being fully paid off and the vehicle is fully depreciated. The GVMC fund balance increased by about $15,000. The REGIS fund balance has decreased by about $12,000.

MOTION – To Accept the GVMC 2010/2011 Audit & Financial Statements. MOVE – Hilton. SUPPORT – MEEK. MOTION CARRIED.

5. Contract with Chris Brown Accounting

John Weiss reported GVMC has been exploring options to outsource and privatize its financial services. An RFP was developed and several organizations applied including the Kent County Road Commission and the City of East Grand Rapids. Chris Brown Accounting was selected (see agenda packet for contract). Chris is a CPA and has had many years' experience in public accounting. He is also familiar with MDOT and Federal Highway finances through work done for the Macatawa Coordinating Council. We expect to reduce our costs by approximately 70%.

MOTION – To Approve the Contract with Chris Brown Accounting for Financial Services. MOVE – Saalfeld. SUPPORT – Meek. MOTION CARRIED.

6. Communications

John Weiss reported on several articles carried in the local media regarding GVMC. He asked anyone with knowledge of other articles to pass them on to him.

Jim Buck stated he has heard many positive comments regarding GVMC's communications including the weekly update and thanked everyone for their input.

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7. Legislative

Rick Root advised members to keep on top of the PPT issue and stay in touch with their legislators.

John Weiss stated a meeting is being held April 30 (now changed to April 23) on PPT legislation. He encouraged everyone to attend and bring their communities' data to show what the loss of the PPT would mean to local government.

Al Vanderberg cautioned that utilities would move to have as much of their property reclassified as industrial if the PPT was dropped from industrial and not utilities.

John Weiss reported on the four very successful Michigan Transportation Team meetings held at GVMC with over 50 people from local government, the Chamber of Commerce, and the Right Place giving input on the Governor's finance plan for transportation. The plan includes elimination of the gas tax, addition of a wholesale tax, and increased registration fees.

8. Mark Murray

Quarterly Luncheon guest speaker and Meijer President, Mark Murray, had an informal discussion with Board members.

9. Adjournment – 11:45 a.m.

MOTION – To Adjourn. MOVE – McGraw. SUPPORT – May. MOTION CARRIED.

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RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

KIRK T. STEUDLE
DIRECTOR

April 10, 2012

Mr. John W. Weiss, Executive Director
Grand Valley Metropolitan Council
678 Front Avenue, NW, Suite 200
Grand Rapids, Michigan 49504

Dear Mr. Weiss:

This letter is to inform you that the Disputed Audits Review Team (DART) for the Michigan Department of Transportation (MDOT) met on December 14, 2011 and February 22, 2012, to discuss the Grand Valley Metropolitan Council (GVMC) Audit Report 2011-67.

The team discussed the GVMC audit and its disallowance of unsupported labor costs. Although GVMC did not completely document its labor costs, work was performed on the projects. The team agreed to allow another method of reconstructing a reasonable allocation of labor cost to avoid the situation where the department received an acceptable product or service at no cost. GVMC revisited their records to provide the department their best estimate of eligible costs. A reasonable amount of labor costs were reconstructed by GVMC and supported by the department's Bureau of Transportation Planning (BTP) staff. In doing so, GVMC proposed to refund MDOT $159,305 related to labor cost. BTP staff reported that GVMC has recognized their deficiencies in how labor cost was reported, taken action to ensure the agency's record keeping fully complies with Federal Circular A-87 requirements, and adopted new procedures effective October 1, 2009.

The audit report findings regarding payments to the Regional Geographic Information Systems (REGIS) listed an overpayment of $165,500.00 due to MDOT. GVMC proposed the entire amount of the REGIS sub-contract overpayment be accepted, because in their opinion there was no overpayment.

The team discussed the disputed REGIS overpayment. The overpayment was a result of prorating reported sub-contract costs, based on a pre-award recommendation from the Office of Commission Audit (OCA) to BTP staff. The basis for the proration was to reduce the overhead rate of 170.00 percent used for developing unit costs for the sub-contract, although an overhead rate based on actual costs was never calculated by OCA during this audit. OCA used the audited rate of 148.80 percent, as of September 30, 1998, in their recommendation to reduce overhead costs. OCA also recommended the fixed fee applied to sub-consultant costs be disallowed. According to documentation supplied by REGIS, DART was asked to consider the overpayment finding due to the fact that these adjustments were not clearly communicated to REGIS. Another factor DART took into consideration is that the maximum for this contract was $4.9 million; whereas, the total reported costs were $2.9 million. The department was satisfied with the services provided.

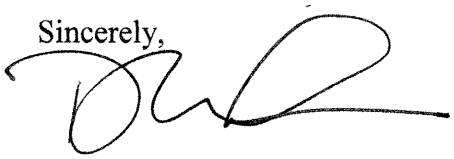
DART agreed the department's decision to prorate the REGIS subcontract, due to an overhead rate and fixed fee adjustment, was not clearly communicated to either GVMC or REGIS. MDOT paid invoices as submitted without applying a proration for overhead costs, which conveyed an impression that invoice amounts were correct. The audit adjustment was based on an adjusted overhead rate, as if it was the actual overhead rate. It was DART's position, if the department was going to adjust the cost billed by the REGIS sub-contractor, then the adjustment should have been based on actual costs.

Part of the miscommunication was due to the subcontract being awarded to REGIS prior to the department's review. DART requested that BTP staff instruct GVMC and REGIS to refrain from entering into a subcontract related to an MDOT grant without prior review and authorization from MDOT.

DART accepts the recommendation and concurs with GVMC's proposal regarding the labor costs and the REGIS subcontract. The adjusted amount owed to MDOT is $159,305. The department's Bureau of Finance and Administration will contact you regarding arrangements for making payment of the adjusted amount owed to the department.

If you have any questions, please contact either me or Dalrois M. McBurrows, Manager, Statewide Planning Section, at 517-373-9055.

Sincerely,



David E. Wresinski, Director
Bureau of Transportation Planning

GVMC

MEMORANDUM

To: GVMC Board Members

From: Abed Itani, Director of Transportation

Re: Reverse Camera System for GVMC Asset Management Van

Date: April 24, 2012

As you know, we at the GVMC Transportation Department always are looking at ways to make our efforts more efficient and cost effective. The purchase of the GVMC van and the recent Roadsoft upgrades are examples of these efforts. The notoriety we are receiving as a result of these efforts is beginning to show as the program is now recognized statewide as a model of quality and efficiency. As you might have heard Jim Snell accepted an award from the Michigan Asset Management Council last week that acknowledges these unique GVMC capabilities and accomplishments.

With the popularity of the sign/asset inventory service we offer to our members and potentially others, we have determined a means to make this process more efficient and cost effective. The sign/asset inventory involves driving the van in both directions on each roadway in a given jurisdiction. Normally we only drive in one direction for our basic pavement survey process. Of course driving in both directions adds mileage to the van and costs for the staff time and fuel not to mention the added wear and tear on the equipment which can be significant.

I am proposing that an additional rear facing camera system be added to the van that would have the ability to capture signs and other assets in one pass, thus reducing the costs of these types of surveys by up to 50%. It is my belief that the addition of this additional system will pay for itself over time and extend the life of the van potentially for a number of years.

To date we have averaged nearly 800 miles of need for reverse mileage due to commitments to provide this service to our members. On average these 800 miles take an additional 30 days that the van is in service. The combination of van expenses, staff time, and fuel costs for each day is conservatively $800 per

day. If we eliminate the need to drive these additional miles a large portion of this cost can be negated. Simply put the system, in time, would easily pay for itself in a relatively short period of time.

In addition, as we plan to market the program to others outside our membership including MDOT, the addition of this reverse camera system will make GVMC a viable player in securing contracts that in the end will save our members much needed funds.

As you may know the van is currently at International Cybernetics Corporation (ICC) getting much needed maintenance and upgrades. ICC of course is the only provider of this service as the van is quite unique and specialized. Any work done by anyone other that ICC or GVMC staff would violate our exclusive warranty.

We have approached ICC and they have given us a quote of just under $25,000 (originally was $30,000 but Jim got them down to $25,000 since I told him that's what we can afford). This cost includes all hardware installation and training, as long as the van is at their shop. This cost does increase by $3500.00 if the van is returned to Michigan on schedule in early May, so a rapid decision on this is necessary.

The cost of the new camera will be recovered over three years according to federal accounting guidelines. The cost recovery schedule is listed below:

Fiscal Year	Cost Per year	Federal Share	GVMC Share
2012	$8,334	$6,667.2	$1,666.8
2013	$8,333	$6,666.4	$1,666.6
2014	$8,333	$6,666.4	$1,666.6

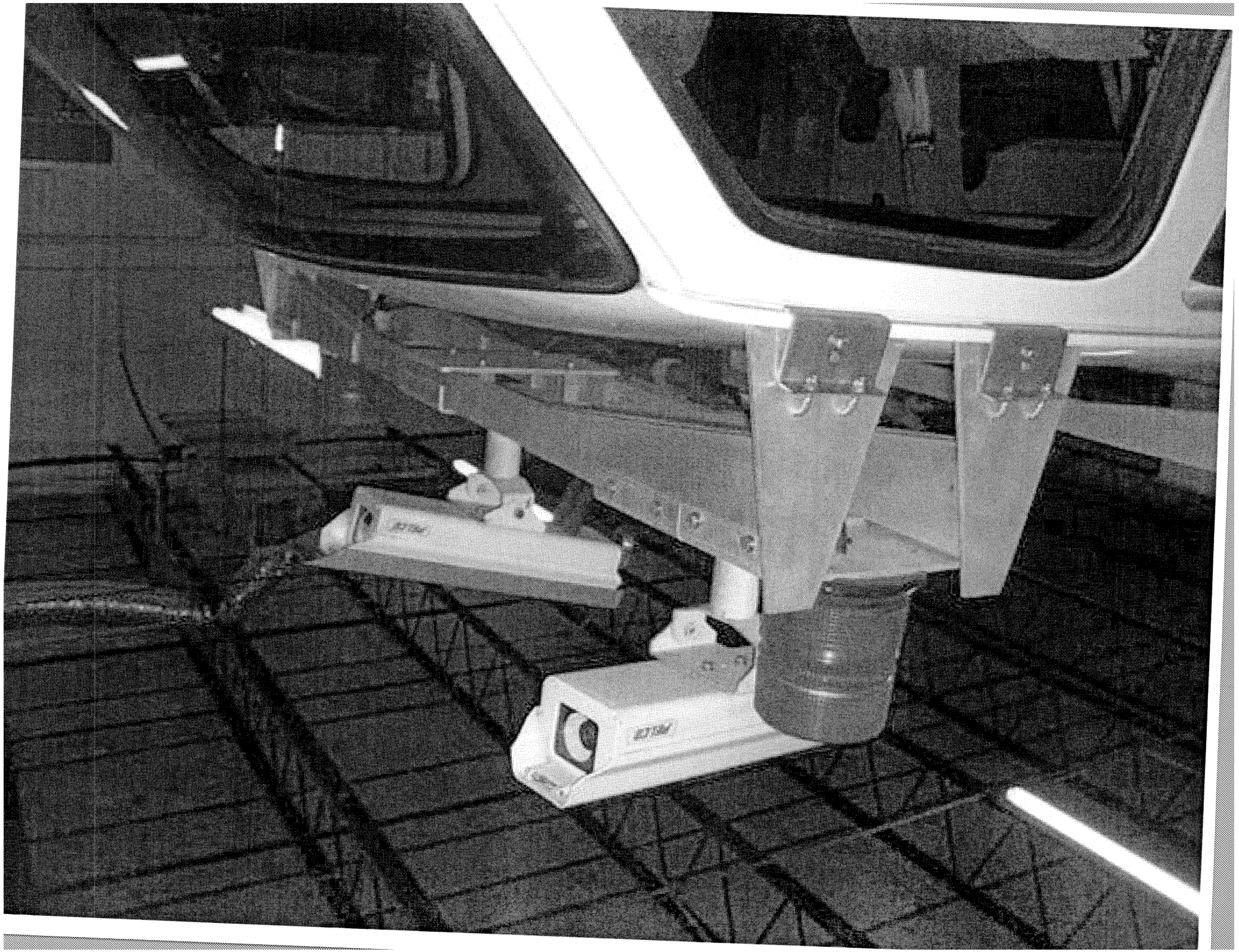
ICC as always is willing to work with us on payments; a minimum of 40% would be due immediately, with the remainder due by the end of the calendar year. This payment plan will allow us to use 40 to 50% from this year's budget and the remainder balance from the next fiscal year budget. We currently have $70,000 budgeted for data collection and Van maintenance and update. I don't anticipate expenses for this fiscal year to exceed $50,000 which will leave close to $20,000 surplus that will be lost to FHWA.

Given the cost estimate we have and the cost for the reverse survey, it is quite possible that GVMC will recapture the investment on this new system in under two years if not sooner.

Again, due to the schedule for the return of the van in early May it is important that we keep this moving. If this proposed addition is approved we would need

to provide payment on the 40% immediately. ICC is very willing to work on the specifics of the invoices if necessary.

Recommendations: Approval of a Reverse Camera System for GVMC Asset Management Van



Other rail improvements en route

By Elijah Brumback | MiBiz
ebrumback@mibiz.com

While the high-speed rail connection between Kalamazoo and Chicago waits to materialize, other Michigan improvements could benefit the state, regardless of what happens with the Indiana segment.

The city of New Buffalo submitted a $56 proposal for federal TIGER 4 grants to enhance a local rail line and connect it to the Pere Marquette line.

New Buffalo was taken off the Pere Marquette line in 2009, but city officials hope to get the stop reconnected to the recently enhanced 110-mph Amtrak line between Kalamazoo and Porter, Ind.

John Weiss, director of the **Grand Valley Metro Council**, whose organization passed a resolution of support for the project, said the improvements have the potential to connect Grand Rapids, Holland and Bangor to the high-speed line between Chicago and New Buffalo.

Weiss

While not a part of the state's rail plan, the project wants to piggyback on the support being poured into similar investments.

"The Blue Water line from Port Huron could be connected as well," he said. "The stop would become an access point for high-speed rail going east and west."

The bulk of the dollars will go toward "double tracking" 14 miles of rail near Bangor, separating freight from passenger tracks. About $800,000 will cover the cost of engineering the connection between the Pere Marquette line and New Buffalo.

"What these changes and enhancements will do, if successful, is shorten the time from Chicago to Grand Rapids," he said. "The opportunity to have more trains coming from out of state is also possible."

Weiss said while GVMC isn't directly involved with the grant, it was important to pass along support in an effort to improve the surrounding communities, make it easier to travel and increase the amount of tourism to the area.

If the project does get the green light, Weiss said the timetable on completion is roughly two to three years. MiBiz

Two things Meijer's Mark Murray said West Michigan governments should pursue: more people, rising incomes

Published: Monday, April 09, 2012, 3:24 PM Updated: Monday, April 09, 2012, 4:23 PM

By **Matt Vande Bunte | mvandebu@mlive.com**

GRAND RAPIDS, MI – Mark Murray said he sleeps in East Grand Rapids, works in Walker and eats at restaurants in several area communities. So, the Meijer, Inc. president asked Monday at Calvin College's Prince Conference Center, "Where do I live?"

"I live in West Michigan," Murray told a group of about 100 local government leaders. "As it relates to my life, it's really one place.

"Now there is a legacy of a whole set of political jurisdictions and you will, I believe, help us all prosper the more effectively these regions work together."

MLive.com File

Is what's good for Meijer good for local government? Mark Murray, seen here greeting Meijer customers after becoming the company's president in 2006, spoke to the Grand Valley Metropolitan Council today about intergovernmental cooperation from a business perspective.

And toward what end should that cooperative work strive? More people with more income, Murray said.

RELATED: Baby boom: West Michigan leads Michigan in population growth via births

Speaking to the **Grand Valley Metropolitan Council's** largest luncheon crowd in years, the former Michigan state treasurer and Grand Valley State University president urged city, county and township leaders to adopt objectives similar to those of the Walker-based retailer he leads.

"The thing we most want is people and income," Murray said. "I'd commend that as a pretty good set of metrics (for West Michigan governments). Are we getting more people here and are their incomes going up?"

Murray, in large part, was preaching to the choir.

"He's absolutely right," Grand Rapids City Manager Greg Sundstrom said. "Those are the measures that cause our revenue to increase."

Sam Bolt, Wyoming's mayor pro-tem, said Murray "hit the nail on the head" with his comments.

"We need more intergovernmental cooperation, whatever way we can do it," Bolt said.

Bolt pointed to the recent announcement that **Cabela's plans to open a store near Rivertown Crossings Mall** in Grandville. A few years ago, **Wyoming partnered with Walker** to accommodate plans for a Cabela's along I-96. Both Wyoming and Walker stood to gain financially under that plan, but **both cities also could benefit** from Cabela's opening in Grandville, Bolt said.

Murray, who has spent most of his career in government, said it's **easier for Meijer to work in Indianapolis**, for example, where city and county services are merged and "in a fairly big geography we're talking to the same people and working under the same rules."

To support what he sees as an entrepreneurial generation emerging across West Michigan, Murray said governments will have to lend a hand to help businesses navigate bureaucratic red tape.

"It sure is a lot easier if we have one template (of development rules in a region) and we can just go," Murray said. "We need effective, quality government for us to operate, but you need us. Government and nonprofits will not prosper if the for-profit, private business side isn't prospering.

"We need you to be as efficient and creative as possible."

So why isn't more collaboration – or outright consolidation – happening in West Michigan? In his ideal world, Sundstrom said "we wouldn't necessarily be one government, but we'd be working together" on a lot more services. He called resistance to more cooperation "the most perplexing problem of my job."

Bolt said "everyone has got their own silos they want to protect." Grandville Mayor Jim Buck summed it up with one word: parochialism.

"People like to have their own," he said.

*Email **Matt Vande Bunte**, or follow him on **Twitter**.*

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GRBJ 4/16

Meijer chief talks about local government

Murray speaks of business needs, consolidation and not copying others.

David Czurak
Grand Rapids Business Journal

Meijer Inc. President Mark Murray has more than a casual interest in government. In fact, Murray told Grand Valley Metro Council members last week that he spent seven years of his public-sector career in the state's social services department before moving on to the economic development office and then to directing the state budget and finally to becoming state treasurer.

"Most of my life was a functionary role in government," said Murray, who became president of Grand Valley State University 11 years before joining Meijer in 2006. If you sum it up, I'm more a creature of government than business."

It's very likely his personal involvement in government drew him to One Kent Coalition, a group of about 20 private individuals and former public officials who announced early last year they would lead a legislative campaign to merge Kent County with the city of Grand Rapids in order to form a new metropolitan government similar to those in Louisville and Indianapolis.

Murray

"I was part of the early discussions with One Kent," said Murray. "If there have been any (recent) meetings - going on, I'm not aware of those. (But) I'm sure it wouldn't be hard to reconvene the members."

One Kent has taken a timeout to allow a county collaboration work group to review potential areas of cooperation and possible consolidations of government services.

It's also likely Murray's personal involvement in government, combined with his current position at Meijer, drew the Metro Council to ask him to share his thoughts on the importance of having governments cooperate. He was the council's guest speaker last week at its quarterly luncheon series. GVMC includes most of the region's counties, cities and townships as members.

A vital issue Murray brought up was K-12 education, which he acknowledged the Metro Council has no jurisdiction over. But he said education's importance can't be overstated because the area's business community has a lengthy history of entrepreneurism that has led to the region's success.

Murray felt education has to be the best it can be so that the tradition here can continue and business can stay on its successful run. He said today's young people are even more entrepreneurial than those of his generation, remarking that they need assistance from local government to get their ideas off the ground. He felt government

CONTINUED ON PAGE 13 ▸▸

Murray touts consolidation

CONTINUED FROM PAGE 1

cials can do that by keeping t in mind when they enact resolutions and ordinances.

"They need answers. They must comply with laws, but they need a helping hand," he said of today's aspiring business wannabes.

Murray also told council members that some of Meijer's employees, like a lot of other workers in the area, aren't becoming independently wealthy.

"The clerks at Meijer don't make a lot of money," he said. As a result, Murray felt the tax dollars that governments collect from them should be used efficiently and to their benefit.

"We need effective quality government, but you need us," he said of business in general. "We need you to be as efficient and creative as possible."

Murray also said government needs to pitch in to bring more p e to Michigan and higher w s to its workers. "We want 12 million people here, not 8 million. We're currently sitting at 10 million," he said of the state's population.

Murray then pointed to Louisand Indianapolis, two cities that have merged with their respective counties. He said a major benefit of those consolidations is that businesses can locate and expand there and only deal with a singular set of rules and regulations — sometimes even a single individual — instead of having to cross a county's municipal boundaries and face a different set of ordinances and officials. He referred to both mergers as solution-oriented consolidations.

"We like working in Indianapolis. It's a place where we know we'll get straight answers," he said, while adding that Meijer looks for uniformity in a locale's rules before it considers investing there.

Murray said both cities offer lessons that could be helpful here, but he cautioned Metro Council members that the decisions made there were answers to local problems and can't simply be imported here.

"You can't just copy things," he said. "I'd say the collaboration here is above average."

Murray felt local government officials have to be clear on what they're trying to accomplish and limit those goals to a couple that can be reached through a solid public infrastructure system. Above all, Murray seemed to feel that government officials have to decide whether business investors are their friends or the enemy.

"It's in the ductwork, it's in the air: There is a suspicion of business," he said. "And in some cases, it's not unfounded."

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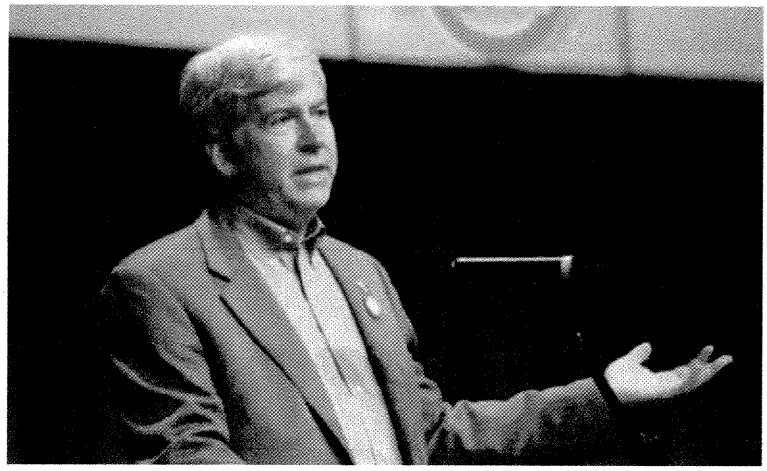
'Train has left the station' on Michigan business tax reform, cities grapple with replacing lost money

Published: Monday, April 23, 2012, 6:08 PM Updated: Monday, April 23, 2012, 11:42 PM

By **Nate Reens | nreens@mlive.com**

GRAND RAPIDS, MI – Grand Rapids City Manager Greg Sundstrom would happily give back every cent the municipality receives under an onerous business property tax that state lawmakers are working to repeal.

But in order for him or other local government leaders to support legislative proposals under discussion this week, the state needs to tell them how the cash – **millions in some communities** – will be replaced.



AP Photo

Gov. Rick Snyder's administration will lead talks this week to eliminate the personal property tax on businesses.

And that's where the murkiness begins since Gov. Rick Snyder and other **Republican lawmakers leading the charge** have yet to detail that critical element, according to Kentwood Mayor Richard Root.

"The unintended consequences are the biggest fear," Root told state Sens. Mark Jansen, R-Gaines Township, and Dave Hildenbrand, R-Lowell, at a Monday meeting with the Grand Valley Metro Council.

Jansen admitted the legislation is a work in progress, but Hildenbrand said the talk is far enough along that its unlikely legislators will consider a Grand Rapids proposal to keep the collection process the same and then have the state issue a tax credit to businesses.

That pitch, supported by Kent County mayors and Ottawa County leaders in a meeting Grand Rapids leaders had with Hildenbrand and other state officials last week, keeps local money local but reduces the tax liability of businesses.

"That train has left the station," Hildenbrand said. "It's a worthy proposal to consider, but I'm not sure how willing (the state) Treasury is going to be."

Jansen backed that stance, saying the goal is to eliminate the tax altogether.

Sundstrom said that expediency isn't as important as formulating a law that is fair to municipalities while still aiding businesses.

The tax is set to be phased out beginning in 2016 and Grand Rapids stands to lose more than $3 million annually once it is gone. Kent County would lose about $4.7 million, figures show. The more heavily industrialized a municipality is, the greater the loss.

The push comes as the state tries to retool its tax system to improve economic viability, Hildenbrand said.

"Our goal is to create a stronger economic environment," he said. "Sometimes in tax reform you have to take a leap of faith that we're all going to benefit. We're trying to create a better environment so that we can compete."

Michigan and Indiana are the last states in the Great Lakes region to tax property inside businesses. The tax has been on Snyder's radar along with the since-repealed Michigan Business Tax that was central to a $1.6 billion reform last year.

Bill Cousins, Cascade Township manager, also warned about rushing forward.

"Today's solutions cause tomorrow's problems," he said.

The local leaders expressed fear that even the best tax environment won't compel businesses to expand or locate in Michigan if the community infrastructure is crumbling. Without replacement money from the tax, local governments could lose public safety resources, cut libraries or parks and watch schools suffer, leaders said.

"What you need to focus on is not the next tax to cut, but what are you going to do to make sure that your local government is strong," Sundstrom said, noting the loss of millions in state revenue sharing cities have already shouldered. "With this governor, we've supported nearly every single thing he's done and I don't see the love coming back right now."

Jansen said he hopes to craft responsible legislation, but admitted the end result probably "won't make everybody happy."

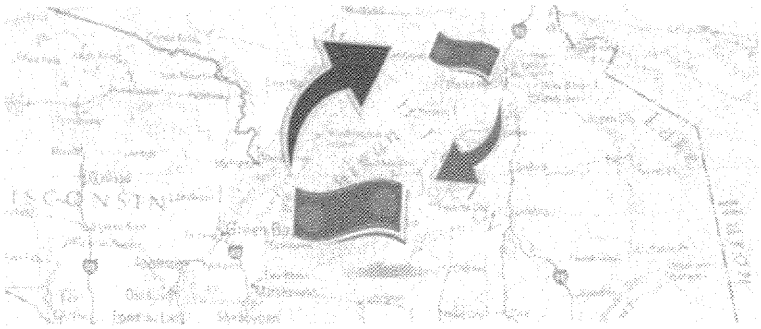
John Weiss, who leads the metro council, told Jansen that what he heard Monday is likely to be more friendly than what the legislative debate portends.

"You haven't heard 'no, no, and hell no,'" Weiss said, pointing out general support for lowering taxes on businesses. "We're trying to help you guys see a little broader picture."

Value of expiring tax credits is linchpin to Snyder's plan to phase out personal property tax

Published: Thursday, April 26, 2012, 9:12 AM

By **Amy Lane | Bridge Magazine**



(Illustration by Bridge Magazine)

The Snyder administration's plan to give tax relief to businesses by reducing the personal property tax rests ... on the end of tax breaks for businesses.

Yes, you read that correctly.

Over the next several years, Michigan will stop sending hundreds of millions of dollars of business-tax credits out the door. The corresponding expected increase in revenue, from tax credits that are expiring, is how the Snyder administration plans to pay for the bulk of its PPT reform plan.

"In a nutshell, it's broad business tax relief at the expense of targeted business tax incentives," said Lt. Governor Brian Calley.

Bridge

News and Analysis from
The Center for Michigan

The money saved from ending tax credits like those for battery makers, film companies and investors in so-called brownfield sites would go toward reimbursing local governments for lost PPT revenue. Local governments are dubious, but the administration sees the shift as a solid way to provide PPT relief that it believes improve Michigan's business climate and economy.

And there are questions even over how much money will be saved by not issuing the tax credits.

Calley explained that the expiring business tax credits are "something we know for sure is going to happen." He added that the amount needed for PPT replacement revenue "will be a lot less than what's available" from the certified credits previously awarded to select business sectors.

How much money is out there? **The administration projects annual tax credit savings** that begin at $11.3 million in the current fiscal year and increase steadily, reaching $538 million by fiscal 2030.

But **an analysis by the Senate Fiscal Agency** suggests the state may not gain the full amount of all of the

expiring tax credits because the tax credits were granted under the former Michigan Business Tax, which businesses no longer will be paying after their credits expire. If they're a corporation, they'll instead file under the new Corporate Income Tax. "In some cases, after the credits expire, the subsequent revenue may be substantially less than the value of the credits," the analysis states.

The SFA **projects annual losses for local governments and schools** from a PPT phase-out rising from about $64 million in calendar 2013 to about $512 million in calendar 2022 -- the year the Snyder repeal plan would be completed.

Of the local losses, $297.4 million would be impact felt by cities, counties, townships and villages, SFA estimates. The remainder would include community colleges, intermediate school districts, school debt and school operating elements, and revenue collected by taxing authorities such as libraries or transportation authorities.

The administration's estimates by the Treasury Department project the tax reform plan by calendar year 2022 would reduce personal property tax state and local revenue by $601.5 million, $47.9 million of which would be state impact and $553.6 million would be local impact. Of that $553.6 million, $286.4 million would be the impact felt by cities, counties, villages and townships. The administration sees Senate Fiscal's numbers as high.

The first element of the Snyder proposal is an immediate tax-cut piece -- a provision to exempt industrial and commercial property with a combined taxable value of less than $40,000, beginning in 2013. By one projection, administrative savings to local governments, primarily cities and townships, and to the state are collectively pegged at more than $12 million a year starting in 2013. The savings are expected to increase to $32 million a year in 2022 and beyond, with all the proposal's exemptions phased in.

The costliest chunk of the tax cuts would start in 2016, which coincides with the last year that the state expects to pay out major tax credits for advanced battery projects.

Beginning in 2016, new manufacturing personal property would be exempt. And existing manufacturing personal property that is at least 10 years old would start to drop off the tax rolls. In 2022, all manufacturing personal property would be exempt.

To compensate local units for the larger amount of tax relief that would begin in 2016, there would be a new PPT reimbursement fund. Senate Bill 1072, part of a bill package for the administration's PPT reform, states the intent is for the Legislature to fill the new fund from an anticipated revenue increase associated with the expiring tax credits.

But that and other aspects of the proposed revenue replacement give no comfort to the Michigan Municipal League, one of a number of opponents who say there's no guarantee a future Legislature will appropriate any money to reimburse locals, let alone from expiring business tax credits. The MML and others want a constitutional amendment that would guarantee full replacement revenue.

An MML analysis in 2011 argued that in Midwest states that have already phased out their personal property

tax, only Illinois came up with full replacement funds -- because of a companion constitutional amendment.

"All of this is going to be dealt with in 2016," said Summer Minnick, director of state affairs at the league. "They can say whatever they want, but the fact of the matter is that absent further legislative action in 2016, nothing would happen. And they can decide at that point whether to do any of this, or none of it.

"Senate Bill 1072 is effectively meaningless because all it says is what this Legislature would like the Legislature in 2016 and beyond to do."

But Calley said that local units may want a revenue source that's guaranteed never to go down, but their revenue streams are tied to economic activity and "every single one of them will be impacted when there's a bad economy."

Making the state more competitive and improving Michigan's business climate and prospects for jobs and investment would further economic improvement and growth in local government revenues, added.

Mike Johnston, vice president of government affairs for the Michigan Manufacturers Association, said communities could lose businesses that provide some of their existing tax base if Michigan remains uncompetitive with other states, such as Ohio, that have eliminated personal property tax.

"What level of confidence, or level of certainty, does any community really have that they will be able to retain the company base they have currently. And, that they won't lose a company that they have now to a state with a better tax policy,"Johnstonsaid.

He said the Snyder administration is "taking what they think is a sustainable and reasonable approach to fund the program, and we support their proposal."

But Minnick said the discontinuation of tax credits is not a given in the future.

"Michigan, under Republicans and Democrats, has awarded credits for decades. Most other states award credits. The idea that none of them will come back is a hard sell," she said.

"The idea that anyone can commit four years ahead, what the plan will be, is something we absolutely don't buy."

Amy Lane is a former reporter for Crain's Detroit Business, where she covered utilities, state government and state business for many years.

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Tim Skubick: Next time a pothole blows your tire, curse the Legislature

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By **Tim Skubick | Politics Columnist for MLive.com**

MLive.com File Photo

The wheel of an SUV hits a deep pothole on Plainfield Avenue NE in front of the St. Vincent De Paul Thrift Store in Grand Rapids.

Big doings in the state Senate this week.

The Senate GOP is opening talks on how to drag you - excuse me - how they want to *include* you in deciding how to raise revenue for roads.

Give Sen. Randy Richardville credit as he seeks to create some political cover for his colleagues who are loathe to raise money on their own. After all they might get un-elected if they did that.

"Kicking it to the voters" is an example of how the GOP legislature is "dysfunctional" argues the Senate Democratic Leader Gretchen Whitmer, who recently told Mr. Richardville lawmakers are getting paid to make these decisions.

To which he retorts, "I think it's smart to consider all options" - which is why he is still promoting two or three ballot questions for August that would give Michigan voters a menu of revenue-raising choices.

While the Senate leader opens this debate with a June 1 budget deadline looming, his counterpart in the Michigan House is singing a different tune.

House Speaker Jase Bolger wants to "see the details" from his buddy in the Senate, which is code for, "Don't lump me into this revenue-boosting picture."

Mr. Bolger confesses he is not supporting Richardville's approach and would rather look at "efficiencies, reforms," and other cost-saving methods to find more road dollars before asking citizens to raise new moola.

You see, Mr. Bolger and company are running for re-election this year, while Mr. Richardville and his guys aren't. Hence the split in the GOP leadership ranks.

The problem for the GOP Speaker is that he can reform all he wants, downsize all he can and reshuffle the money into the roads, and he still can't get to the $1.4 billion price tag Gov. Rick Snyder has pegged on all this.

But Mr. Bolger could care less. He's got to get his team through this election cycle without loading his colleagues with another tax hike on top of the other tax hikes the Republicans supported last year.

For Mr.Richardville to prevail he will need to woo Democrats to endorse the ballot strategy.

House Minority Leader Rick Hammel says he may have suggestions on what to place before voters. But he's in no hurry either, saying that if and when the Senate does something, he and Mr. Bolger will sit down to decide what to do next.

While Lansing fiddles, the potholes get deeper, bridges are crumbling, and Michigan motorists have to repair blown tires, bent rims and broken shocks.

As for an August vote on all this? Let's talk in 30 days.

Watch ***Off the Record with Tim Skubick*** *online anytime at* ***video.wkar.org***

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Editorial: Local budgets can't afford property tax plan for Michigan

Freep.com

Call it the 2% solution.

That's how much of their operating revenue cities and counties may have to contribute to help the governor and Legislature get rid of the personal property tax that commercial and industrial enterprises pay on their equipment. Distressed cities get a break -- they only get nicked at a rate of 1% of their annual budgets.

In a convoluted plan introduced Tuesday and scheduled for its first legislative committee hearing today, lawmakers propose to drop the personal property tax for small enterprises immediately and to phase out the tax over several years for major manufacturers.

The tax revenue, which goes almost entirely to local units of government, would apparently be replaced only to the extent it exceeds the 2% and 1% thresholds of local operating budgets. According to one estimate, that equates to replacing only about 81% of the revenue that municipalities would have to forgo.

A significant loss of funds

In a seeming act of generosity, the proposed changes would compensate all units of government enough to make bond payments based on the previous personal property tax payments. That would at least shelter taxpayers from an instant hike in the rates they pledged to pay off bonds for schools, libraries and other projects. But it is unacceptable to make local units of government and their taxpayers bear any of the burden from eliminating the personal property tax. In a distressed city like Detroit, losing the equivalent of even 1% of annual operating revenue is millions of dollars.

In a city like Warren, where 17% of property tax revenue is attributable to the personal property tax, the slice from the budget could easily exceed $1 million.

Add in the fact that lawmakers who would be making budget decisions in 2016, when the full weight of the bill hits, have no obligation to honor this (already insufficient) reimbursement pledge that the current Legislature would be making. The health of local governments would be entirely dependent on whatever whims hold sway in the state Capitol four years from now.

More pain for cities

The personal property tax is an unwieldy way to raise revenue, and it is everyone's dream to kill it, as many other states have. But folks in Lansing brought this new urgency on themselves when they revised the state's business tax. The Michigan Business Tax, abominable and convoluted as it was, gave businesses an exemption for what they paid in personal property taxes, greatly softening the cost. The new, wonderfully simplified Michigan corporate income tax has no such exemption.

If the situation is so dire, the Legislature should reinstate the exemption and cover the cost directly through the state budget. What lawmakers have come up with, instead, is a tortuous exercise that requires local governments to continue inventorying equipment as if it were being taxed, then submit the bill to Lansing and hope it gets paid. Cities don't even get the benefit of a streamlined assessment process because they still have to estimate the value of equipment each year.

It's fine for lawmakers and the governor to have a vision of Michigan as a low-tax state that entices new employers. But without a simultaneous plan to maintain safe, attractive communities (and strong schools), their vision looks more like a nightmare for those who have to live through it.

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