

2-4-2021 Local Government Finance Webinar Chat

- 1. I had some financial discussion today with our city officials. In this meeting statutory revenue sharing came up and how over the years MI government has lowered the amount going to local bodies, taking it to fill "gaps" in state funding. How do we support/advocate for this to stop so local bodies can have their fair share of the revenue to invest in their local areas? Context that although there are increases in the percentage "going to" localities, in reality those increases are not being actually recognized when the state pulls from it to fill gaps in their funding. To add a bit more to my above question.**

We would suggest five things as it relates to advocating for increased revenue sharing. 1) Educate yourself about the issue. We have lots of resources at our SaveMiCity.org site that will help. We even have a lost revenue sharing estimator that allows you to see what your community lost. 2) Subscribe to the 208 blog. This is where you can stay aware of the latest developments in Lansing on this and other issues. 3) Talk with your legislator about your concerns with the disinvestment in your community and try and provide some specific context about what could have been done locally, 4) Ask your legislator to commit to significantly increasing local revenue sharing and put the state on a path fully restoring their commitment to local government 5) Repeat steps 3 and 4. Legislators are barraged with dozens of issues and a single mention does not move the needle.

- 2. What is a Council Fund used for other than education?**

This appears to be a local discretionary fund most likely used for training – we do not have familiarity with what other municipalities use as a similar tool.

- 3. How do "Authorities" fit in to the finance scheme? Separate entities? An extension of a city?**

Authorities are separate legal authorities with separate boards. Depending on circumstances, they may be reported as component units in the city's audit report. Please consult with your local auditor with specific questions related to your community.

- 4. Is there a requirement that Authorities be separately reported in order to receive LCSA funds?**

We are not aware of any such requirement, but please consult with your auditor and/or local attorney as you may have unique circumstances that need to be addressed.

- 5. What about a local 501(3)(c) business association membership?**

A membership that furthers the city's interests and serves a public purpose is an allowable expense. A charitable contribution is not. If you have specific questions, please consult with your local attorney.

- 6. Can a city have or hold a fund that consists of residents' donations to use for otherwise unallowable funds?**

No. If it is not for an allowable purpose then the city should refrain from that activity. A city can accept earmarked donations, for example to buy playground equipment, but are not required to do so. If a city does accept an earmarked donation, they must use it for that purpose.

- 7. Can we use our meeting space to a 501(c)(3) and waive the cost?**

A community may provide for the use of public space if it serves a community purpose, but a blanket free use may be considered a donation and not be allowed. We would encourage a city to define what uses meet that criteria. Please consult your local attorney before implementing.

- 8. Can a municipality form their own 501(3)(c) for grant writing purposes/funding?**

A home rule city may create a 501 (c)(3). We advise that you discuss this process with your city attorney before considering this option. Look to MCL 117.4o which permits a home rule city to create a nonprofit organization.

9. Would a "sponsorship" be different than a donation? Ex. Sponsoring a conference or event.

A sponsorship by the city may fall outside of the acceptable use of public funds, but more context may help. A DDA has different authority and may be able to engage in sponsorships within their boundaries. Please consult with your local attorney for a more specific response.

10. Can you enter into a contract to Lease Land with the intended use for a Little League Program or other activity?

Maybe. Recreational activities clearly fall into the acceptable use category. Donations do not. If the approach is that the community is partnering with the local little league to provide baseball in the community and the city's participation is use of the fields, that is allowed. Leasing or renting the fields as an arm's length transaction is also allowed.

11. Can you use funds to buy equipment such as iPads for the Council?

A city can provide any equipment they deem necessary for the council to effectively carryout their duties. The equipment and data on the equipment remain property of the city. We would encourage communities to be sure to adopt a policy that addresses these issues and other factors related to the use of city technology.

12. Do all villages have a fiscal year ending 03/31?

The GLV Act (MCL 69.7a) allows general law villages to change the FY by ordinance.

13. With the Headlee Act how does a village "reset" the allowable mileage? Ours is allowed 12.5 mills but because of the Act is down to 10.501.

Headlee override vote can be held to ask the voters I your community to return to your charter maximum of 12.5. Please consult with your local attorney as to the steps to pursue this option.

14. Could you share an example of a property value that dropped from a high in 2005?

Example: Home valued at \$200,000 in 2005, dropped to value of \$140,000 in 2012. Valued at \$240,000 in 2021.

15. What are the strategies being explored to reverse the negative impacts of Headlee and Prop A?

One-page document on Headlee/Prop A and proposed fixes here: <http://www.savemicity.org/wp-content/uploads/2020/08/Headlee-Proposal-A.pdf>

16. If a business is given huge tax breaks to locate in the city, can funds be "made up" through extensive permitting and code inspection costs?

No. permitting and inspections should bear a relationship to the cost of the service.

17. Will there be a follow up on how the CIP fits into the budgeting process?

Nothing planned at this time. You may want to consult with your finance director or local auditor.

18. Is there a resource for additional information on funding for CIPs and establishing a fund balance policy?

Yes, please send such inquiries to info@mml.org – we can send you sample fund balance policies and CIP documents.