

## **Discussion Guide/Consensus Questions Government Consolidation/Shared Services State Study**

*This discussion guide was prepared by Noreen Fisher and her state committee. The Local Government Committee of the LWVBN felt that we could add some valuable information gleaned from our own study on intergovernmental relationships and from our attendance at a couple of recent meetings on the subject of consolidations and dissolutions. The information we have added is enclosed in boxes. We encourage members to read this guide in preparation for attendance at the consensus meetings to be held on April 14.*

### **Introduction**

*New York State has among the highest local property taxes in the nation and among the largest number of governmental entities spread over counties, cities, towns, villages, districts and authorities.*

*At the 53<sup>rd</sup> Biennial convention, the delegates adopted a new study of up to two years on the topics of government modernization through dissolution, consolidation or the pursuit of shared services to reduce costs and taxes.*

*The League currently has no comprehensive position that would enable it to lobby for or against recommendations to consolidate governmental entities or services, nor to comment on current or future legislation at the state level which impacts the consolidation or dissolution of governmental entities and/or pursuit of major shared services proposals. To be able to deal with these issues at both the state and local levels, the League must first reach some understanding of what common standards should be employed by state and local Leagues in assessing the wisdom of various initiatives to rearrange how governmental services are provided.*

*The purpose of this meeting is to come to consensus on the questions that were developed by the state League's Government Modernization Committee.*

*The two main areas to be covered are to determine what standards should apply*

- 1. when the League evaluates current and future legislation or constitutional amendments that apply to the dissolution/consolidation of governmental units or pursuit of major shared services and*
- 2. when local Leagues evaluate a specific consolidation or dissolution of a governmental entity or a major shared services proposal.*

### ***Overview of Main Terms and Their Inter-relationships***

***Governmental entities-*** governmental entities for the purpose of the following questions are villages, towns, cities, counties, districts, and authorities.

***Standards-*** standards are those areas that the League believes must be considered and analyzed in evaluating whether a proposal to alter the provision of services, either through dissolution/consolidation/major shared services, should be approved. It is not the case that there will always be a positive answer to every standard.

***Dissolution-*** means the termination of a governmental entity.

**Consolidation-** means either (a) the combination of two or more governmental entities resulting in the dissolution of all of the entities to be consolidated and the creation of a New Entity which has jurisdiction over all of the dissolved entities' assets and area or (b) the combination of two or more governmental entities resulting in the dissolution of all but one of the governmental entities which shall then absorb the terminated entity or entities.

*We attended the Rochester League's presentation by Charles Zetteck of the Center for Governmental Research (CGR). He said that he hoped most government changes would be consolidations rather than dissolutions. A village can dissolve without cooperation from its town, but this is not an ideal situation. If the village and the town consolidate, both entities must agree, and negotiations between them can settle differences. Friendly negotiations are much more likely to produce a successful consolidation that voters accept.*

*It is difficult to come up with a dissolution that would not be a part of a consolidation if the service provided is to be maintained. If any village, town, city, or county were to be dissolved, some unit of government would take over...hence it would be a consolidation with some other existing level of government assuming control. With respect to districts and authorities, if the service is continued under an expanded district/authority or under some other existing municipal structure it would be a consolidation. It is, however, technically conceivable that a district/authority might be dissolved and the service discontinued. For that reason we will continue to talk about consolidation and dissolution.*

**EX:**

*Village A + Village B = New Village C. (Two villages dissolve but also consolidate into a new entity, Village C.)*

*Village A + Village B = Village A survives and takes over governance of Village B (Village B has dissolved and consolidated with Village A.)*

*Village A dissolves and is absorbed into Town A. Villages are automatically absorbed into the town in which they already belong if they dissolve. (Effect is a dissolution and consolidation with the surrounding Town.)*

*Library district A dissolves. Service no longer provided to area residents. (A dissolution with no consolidation)*

*Water Districts A+B+C = New water district D. (Three dissolutions and consolidation into a new entity)*

**Major Shared Service-** This term is somewhat up to local League determination; however, the facts are that most municipalities engage in shared services of one kind or another in the normal course of business and the governing boards enter into inter-municipal agreements to effect these sharing arrangements. Most do not rise to the level of citizen notice and, since they often must be reevaluated and reauthorized on a regular basis, they do not give rise to a rigorous analysis by citizens before enactment.

*However there could be situations in which the governing bodies consider shared services that could be a significant change in the service provided and one that would be difficult and/or costly to unwind. An*

example would be the possible merging of fire districts, now being considered among 10 municipalities in the Lower Hudson Valley, or the elimination of police services and consolidation of those services at the county level. These are the topic of this consensus.

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## SECTION I

### *Standards for Judging State Legislation or Constitutional Amendments*

**What standards should the League apply when evaluating statewide legislation or constitutional amendments concerning the implementation of local government dissolution/consolidation/major shared service proposals (answer affirmatively all that you would support):**

**A. Does the legislation or constitutional amendment encourage a process that [is]:**

1. Cooperative and collaborative?: Y\_\_\_ N\_\_\_ U\_\_\_
2. Transparent?: Y\_\_\_ N\_\_\_ U\_\_\_
3. Contain well defined channels for citizen input and review?: Y\_\_\_ N\_\_\_ U\_\_\_
4. Provide affected citizens with sufficient and timely information necessary to make informed decisions?: Y\_\_\_ N\_\_\_ U\_\_\_
5. Other?: (add any additional process standards you support)

*Our local study found that staff and unions can present barriers to cooperative agreements if they are not included in decision making and planning is not transparent. We found one local collaborative effort successfully integrated civil servants into merger efforts. We also found that residents fear losing identity and staff fear loss of jobs if no citizen input and review is conducted prior to mergers/consolidations. Fear of change can impact on decisions if information is not shared in a timely manner.*

**B. Does the legislation or constitutional amendment contain operational standards that, taken as a whole:**

1. Promote administrative efficiency in the decision/process to dissolve, consolidate, or share services: Y\_\_\_ N\_\_\_ U\_\_\_
2. Promote fiscal efficiency in the decision/process to dissolve, consolidate, or share services: Y\_\_\_ N\_\_\_ U\_\_\_
3. Other minimum operational standards we should support when evaluating state legislation/amendments affecting dissolution/consolidation/major shares services proposals. Attach separate page if necessary.

**C. Possible State Funding of Government Dissolution/Consolidation/Shared Services (answer unsure if you do not have an opinion):**

*Our local study found that if people believe there will be cost savings and greater efficiencies, they will tend to favor consolidations, mergers and sharing of services. Our interviews of local supervisors and mayors noted that three local collaborations resulted in financial savings, and three others noted sharing of services resulted in a more efficient or improved service delivery system. Our interviews of local town supervisors and mayors indicated that not all collaboration efforts work well, especially if details and responsibilities have not been well defined. Sometimes agreements can be terminated if both parties are not satisfied.*

*The state can promote steps to improve governmental efficiency through education, technical assistance and/or monetary assistance. We are now to consider two common ways the state can use financial incentives to promote change: grants and aid or loans.*

### **Grants and Aid**

**PRO:** *The state currently awards grants to pay for the development of the feasibility studies. The costs of these plans range from in the low \$20,000s to above \$190,000 depending upon the complexity. Having to come up with the funds to develop a plan could be a factor in whether a governing board or citizenry decide to move forward. Lack of up front funding could impede a worthwhile action. Providing state funding for this and other aspects of the dissolution/consolidation of governmental entities or major shared services will ensure that up front funding needs will not be a roadblock to moving forward.*

*The state also provides incentive aid for those governments consolidating or dissolving. Local governments are currently entitled to increases in aid (Incentive Aid) to the combined entity greater than that received prior to consolidating. Ex: Village of Pike dissolution and consolidation into the surrounding town. Pre-dissolution aid (combined entities) \$9,474; Post-dissolution aid (combined entities) \$67,200. Village of Limestone dissolution and consolidation into the surrounding town. Pre-dissolution aid (combined entity) \$14,283; Post-dissolution aid (combined entity) \$58,280. These incentives promote the state's stated goal to improve governmental efficiency and are relatively small in the context of the state budget.*

**CON:** *In the first instance the state taxpayer is subsidizing local studies that may fail to show efficiencies from dissolving/consolidating or sharing services or that may be impossible to carry out for other reasons. There is no guarantee of a positive result. State taxpayers are subsidizing local efforts that have a local impact, not a statewide impact. These efforts are locally designed and implemented without state oversight and without performance standards. For example, although one purpose of these efforts is to reduce the number of governmental entities in accordance with the state policy to reduce the complexity of local government, in fact, in many cases of village dissolution, the result is a proliferation of districts to take over the services once provided by one municipal entity. Grants and aid are outright transfers of funds. They are not designed to be repaid.*

*When we attended the Rochester League's presentation by Charles Zetteck of the Center for Governmental Research (CGR), we learned that there are two kinds of special districts. One, like many fire districts, has its own elected commissioners and sets its own budget. The other is simply a special tax district, overseen by the local government board, designed to tax only the users of a particular service. Mr. Zetteck feels that special districts formed without commissioners (like those resulting from most dissolutions) simply make taxing more fair, and their proliferation does not increase the number of government entities. Only the districts with elected commissioners can be considered to be true government entities.*

## Loans

**PRO:** *It can be difficult for local governmental entities to provide the upfront funding to investigate and implement dissolutions/consolidations or major shared services. It is the stated goal of the state government to facilitate these types of transactions, and providing loans is a mechanism to remove a potential barrier to moving forward while enabling the state to be repaid over time.*

**CON:** *It may be difficult for the loans to be repaid in a timely manner, and the addition of debt to the balance sheet of the combined entity may make the transaction less financially attractive and could impact future borrowing ability or the cost of future municipal debt. Grants are simpler to administer and do not burden the new combined entity with added debt.*

*Mr. Zettek of CGR believes that the state incentives for consolidations and dissolutions are very important because they encourage change and the development of models. He hopes that a few larger communities will work through all of the complications of a consolidation so that they can be examples for others to follow.*

1. **Should the state provide grants or loans to local governmental units that wish to consider dissolution/consolidation/major shared services to enable them to do all or any of the items specified below? Y\_\_\_ N\_\_\_ U\_\_\_**
  
2. **Specifically, should the grants or loans be available to:**
  - a. **Conduct a feasibility study: Y\_\_\_ N\_\_\_ U\_\_\_**
  
  - b. **Implement the mechanics of dissolution/consolidation/major shared services(e.g. legal, accounting, consulting fees and costs of referenda(if any)) : Y\_\_\_ N\_\_\_ U\_\_\_**
  
  - c. **Pay employee expenses related to the integration of staff, early retirement, buyouts: Y\_\_\_ N\_\_\_ U\_\_\_**
  
  - d. **Provide an incentive (thru municipal aid) to dissolve/consolidate/share services: Y\_\_\_ N\_\_\_ U\_\_\_**
  
  - e. **Other? (Please list any other costs of consolidation/dissolution/shared service, if any, that you believe should be funded by state grants, in whole or in part)**
  
3. **Should the aid consist primarily of:**
  - a. **Grants or \_\_\_**
  - b. **Loans? \_\_\_**
  
4. **Should grants, if any, cover 100% of the costs, be limited to matching grants (ie 50%), be limited to some other percentage, or you are unsure? (please indicate the consensus, if any)**  
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## SECTION 2

***Standards for evaluating a specific local proposal for the dissolution or consolidation of a local governmental entity (county, city, town, village, district, authority) or major shared service.***

*The second section of consensus questions were designed to explore what standards local Leagues should consider in developing their own consensus on local consolidation or dissolution proposals of local governmental entities (villages, towns, cities, counties, districts, authorities) and/or any proposal for a major sharing of services.*

*We are not suggesting that, in the course of evaluating a local proposal, the answer will always be a positive one. Rather it should be expected that in some cases one or more factors could have a negative answer and yet overall the proposal could have merit. Any evaluation will require a balancing of positives and negatives and a weighing of what is most important to the League members coming to consensus. We are simply trying to ensure that the League has a consensus of what areas they must be sure to evaluate.*

**Answer affirmatively all that you would support as one of multiple standards for evaluation of a proposal, not necessarily as a prerequisite for supporting a proposal.**

**A. Is the process with respect to the proposal:**

- 1. Cooperative and collaborative?: Y\_\_\_ N\_\_\_ U\_\_\_**
- 2. Transparent?: Y\_\_\_ N\_\_\_ U\_\_\_**
- 3. Containing well defined channels for citizen input and review?: Y\_\_\_ N\_\_\_ U\_\_\_**
- 4. Providing affected citizens with sufficient and timely information necessary to make informed decisions?: Y\_\_\_ N\_\_\_ U\_\_\_**
- 5. Other?: (add any additional standards you support)**

*You may remember that our local consensus on intergovernmental relationships includes “provision of both short and long term evaluation” as a standard for evaluation of a proposal. When doing our research we were frustrated by the lack of evaluation of most government consolidations or dissolutions that had happened in the past. We couldn’t judge whether they were beneficial or not. We might want to suggest this as an “additional standard.”*

**Operational standards in deciding whether to support a proposal (vote for as many as you feel should apply) :**

**Costs/Tax Impacts**

**Whether or not the proposal:**

- 1. Results in overall cost savings/positive effect on taxes in the short term?: Y\_\_\_ N\_\_\_  
U\_\_\_**
- 2. Results in projected cost savings/positive effect on taxes over the long term? : Y\_\_\_ N\_\_\_  
U\_\_\_**

*A consolidation or dissolution can take years to realize all of the cost savings. The impact in the short term may not be representative of long-term results. Whether short or long term, the goal of dissolutions/consolidations/major sharing of services is to reduce overall costs and taxes.*

*We also attended a meeting at which Wade Beltramo, the lawyer for the New York Conference of Mayors (NYCOM), spoke about village dissolutions. He claimed that eighty-eight percent of all property taxes collected in New York State come from county, city, and school taxes, and they are not affected by the new law that encourages consolidations and dissolutions. Only twelve percent of New York property taxes might be slightly reduced by dissolutions and consolidations in towns and villages. He also claimed that the average cost saving resulting from these actions is about three percent.*

**3. Results in cost savings/positive effect on taxes for citizens of both/all entities? : Y\_\_\_ N\_\_\_  
U\_\_\_**

*In some cases, where villages are being dissolved, the impact of the dissolution is an increase in costs to the town taxpayer and a decrease in costs to the village taxpayer. For example, in evaluating a dissolution of the Village of Lake George, the village taxpayers would see a decrease in their taxes of 12%, while the town taxpayers would see an increase of 9% under one scenario. Under a second option, the villagers would see their taxes decline by 35% while town taxpayers would see their taxes rise by 40%. These impacts arise because village residents sometimes pay town taxes without receiving much in town services; in effect they are providing a town subsidy. With a dissolution, the village taxpayers no longer pay for their own services as well as a separate town tax; they pay whatever the entire town pays, and the services that they receive from the village must either be provided by the town, eliminated altogether, or restructured into separate districts and paid for separately through town or commissioner-run districts by the villagers.*

*Even with the formation of new districts to continue services not provided townwide and funded solely by the former villagers, there may be a tax increase for the town taxpayers.*

*The economic impact of a consolidation of other forms of governmental units can also, depending on the analysis, show an increase in costs for one or more groups of taxpayers. For example, if a county wide sewer district were formed, it is possible that those areas with well maintained infrastructure would see their costs rise if combined with a district which has significant capital needs.*

**If cost savings for all are not possible for both/all:**

**4. Results in the governmental entity(s) with higher projected costs/taxes having those costs/taxes phased in over time or otherwise mitigated?: Y\_\_\_ N\_\_\_ U\_\_\_**

*A dissolution/consolidation plan or major shared service proposal is a negotiation between/among governmental entities. Local governmental entities have some latitude to balance relative benefits and costs to bring the transaction to a positive conclusion. Actions can include the creation of districts funded by the users, the renegotiating of employee contracts in the higher cost entity, or the winding down of more costly services.*

**5. Relies on increases in state aid to show an economic benefit from the transaction or does it stand on its own merit?:**

**Y\_\_\_ N\_\_\_ U\_\_\_**

*New York State has set up an incentive program to consolidating and dissolving local governments. When local governments now dissolve or consolidate, the remaining local government is often entitled to increases in aid from the state. Examples... Village of Pike dissolution, state aid pre-dissolution to both the village and town: \$9,474 per year; state aid post dissolution: \$67,200 per year. Village of Limestone, state aid pre-dissolution to both village and town: \$14,282 per year and post dissolution: \$58,280 per year. The cost of providing government services in these cases is subsidized by state tax payers going forward to a greater extent than previously. These payments encourage consolidations but may not result in actions that would stand on their own economically.*

*State aid is never guaranteed going forward and it remains a question whether governments considering these actions should rely on it as a determining factor in consolidating.*

- 6. Requires any governmental entity affected by higher costs/taxes to accept such increased costs/taxes by means of a majority vote of the governing board? Y \_\_\_ N \_\_\_ U \_\_\_**

*One way to address an increase in tax burden or cost burden is to give those affected the ability to voice their approval or disapproval in public hearings (prior to a governing board vote) or in a public referendum. A positive answer to these would support, as a standard, each individual governmental entity having the right to individually approve a consolidation/dissolution that increases their taxes or costs.*

#### **Impact on Service Standards:**

**Whether or not the proposal:**

- 7. Results in increased quality and/or efficiency of services?:**

Y \_\_\_ N \_\_\_ U \_\_\_

- 8. Results in, at a minimum, a maintenance of services?:**

Y \_\_\_ N \_\_\_ U \_\_\_

- 9. Results in diminution of services but ones that could be purchased more cheaply in the private sector?:**

Y \_\_\_ N \_\_\_ U \_\_\_

*The intent of consolidation/dissolution in the state is to improve the efficiency of providing governmental services to residents. Either the costs are reduced by eliminating overlap or more can be done at the same level of expenditures. However, it can also be the case that services may be abolished. In the Village of Seneca Falls dissolution, the study committee recommended the formation of a town-wide police department. However, the town board has publicly refused to establish a town wide department. Unless things change, the alternatives for Seneca Falls are: 1. there will be no police department, 2. they will have to petition the state to establish a police district paid for by those served, or 3. the dissolution may not proceed.*

**10. Requires any governmental entity to accept any plan where residents would see a diminution of services by means of a majority vote of the governing board? Y \_\_\_  
N \_\_\_ U \_\_\_**

*It may not be possible in every case to see, at a minimum, a maintenance of the same level of services. These are negotiable items in creating the consolidation or dissolution plan. When a negative impact is expected, does the impacted local government have a vote?*

### **Other Items to be evaluated**

**Whether or not the proposal:**

**11. Fairly addresses disparities in employee contracts?:  
Y \_\_\_ N \_\_\_ U \_\_\_**

*Different municipalities often have different pay scales and benefits. In the past, the impact of a consolidation has been a leveling up of compensation and benefits between the municipalities. This does not always have to be the case however, and perhaps needs to be closely monitored.*

**12. Results in increased social/economic justice? :  
Y \_\_\_ N \_\_\_ U \_\_\_**

*One of the consequences of a lack of unincorporated areas in the state is cities have been starved of expansion opportunities. Instead of being able to incorporate the more affluent suburbs that spring up around them, housing those who work in the city, the cities are land-locked and unable to incorporate the tax revenue of the suburbs. Cities become starved for revenue. The same can be said for urbanized villages which have no expansion possibilities, although they may be the employment center for the area. One result of a consolidation could be the sharing of the costs of governmental services more broadly among those who benefit from the services provided, like job centers to a broader area.*

**13. Results in a reduction in the number of governmental entities?:  
Y \_\_\_ N \_\_\_ U \_\_\_**

*The intent of the current initiatives to consolidate or dissolve is to reduce the over-abundance of governmental entities in the state. When a government is dissolved its services must either be absorbed, discontinued or set up in special districts that cover the old municipal boundaries. In the dissolution of the Village of Albion six new districts were created, a town water district, a town sewer district, a fire district, a town street lighting district, a town street cleaning district and a police district, all to continue services to the old village residents. This result is not unusual; the Village of Limestone dissolution resulted in the creation of three districts, a water, a sewer and a fire district, and the Village of Pike dissolution created four districts, a water, sidewalk, street lighting and fire district. An area to consider when looking at local initiatives?*

*As noted above, the CGR expert viewed these town-administered districts as mechanisms to tax more fairly rather than as additional government entities.*

**14. Maintains sense of community?: Y \_\_\_ N \_\_\_ U \_\_\_**

*Wade Beltramo, the lawyer for NYCOM, claimed that villages are the most accountable, efficient and democratic government entities in New York. They provide services desired and needed by residents, and these needs are usually different from those of the surrounding rural areas. He says each village is unique. It may make sense for some to dissolve, especially the very small ones. But in many cases, they are worth preserving. The important question to ask, according to Beltramo, is this: Is the local government entity going to be responsive to residents and will it represent them fairly?*

*One possible concern of a dissolution/consolidation/major shared service proposal that changes the provision of service from a small local entity to a larger governmental entity is a possible loss of that small intimate connection to the service provider. It may be important to consider how this might change in a proposal subject to a League evaluation.*

**B. Other? (list on back) (any other areas of inquiry that you believe should be evaluated in any study of a dissolution/consolidation/major shared service proposal)**

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***All responses must be mailed to the state League office (62 Grand St, Albany, NY 12207) and received by June 1, 2010, to be included in the consensus.***