



Empire Ideas

A reform toolbox for citizens and government leaders

Number 4

The streamline search: options for NY localities

THE PROBLEM:

New York State is home to more than 1,600 general-purpose local governments.¹ A challenging fiscal environment and notoriously high property taxes have raised structural and service issues to new levels as communities explore the potential efficiencies to be gained through shared services, dissolution and consolidation. Just as every community is different, the potential fiscal benefit of such change varies. But nearly all shared service and consolidation efforts share a common starting point: The notion that streamlining local governments and service delivery frameworks can be a helpful element in addressing fiscal stress.²

THE SOLUTION:

Local governments have a variety of options available to them under state law. Shared service arrangements – in which governments partner to deliver services while remaining separate entities – are common. They range from informal “handshake” agreements to cooperate, to more formal, contractual approaches to consolidate specific functions. Larger-scale restructuring options include dissolution and consolidation. A 2009 change in state law ups the ante, lowering the procedural bar for moving restructuring efforts forward.

The current economic and fiscal environment has placed a premium on efficiency and cost-effectiveness. To help inform communities’ response, this paper reviews the basic options available to New York’s local governments; documents the implementation path for each; and offers “best practice” recommendations for managing change effectively.

Local Government Consolidation in New York

The restructuring issue is hardly new to New York State. Though a recession-weakened economy, high relative property taxes and challenged revenue streams have raised the issue's prominence, the state is actually home to one of the nation's first significant consolidations. New York City's boroughs merged in the 1890s, in what was at the time the nation's 6th city-county merger. The modern City of New York spans five boroughs, thousands of unique neighborhoods and more than 8.3 million people, delivering services through a unified municipal framework.

More than a century later, local governments statewide are looking critically at shared services and restructuring.

Shared Services

Local governments in New York have wide latitude to deliver shared services. State law permits municipal corporations to provide in cooperative fashion any function that they are empowered to provide on their own. Article 5-G of the state's General Municipal Law authorizes the "performance of municipal cooperative activities":

"In addition to any other general or special powers vested in municipal corporations and districts for the performance of their respective functions, powers or duties on an individual, cooperative, joint or contract basis, municipal corporations and districts shall have power to enter into, amend, cancel and terminate agreements for the performance among themselves or one for the other of their respective functions, powers and duties on a cooperative or contract basis or for the provision of a joint service..."³

Local governments can often realize cost savings and/or operational efficiencies through shared service arrangements short of full restructuring. Moreover, the approval and implementation is generally easier for shared services than for full consolidations.

Existing resources include the Office of the State Comptroller's *Shared Services in Local Government*,⁴ a primer on getting started, and the Department of State's local government management guides,⁵ which offer practical suggestions and case studies on intermunicipal cooperation. The next paper in this series will focus on this topic exclusively, including an examination of local governments already sharing services.

Restructuring Options

Restructuring options available to New York's municipalities vary by type of local government. There are two basic approaches:

Approach	Synopsis	Applicable To
Dissolution	Involves the termination of one entity and can be done unilaterally	Villages and Special Districts
Consolidation	Involves joining multiple entities and cannot be done unilaterally	Towns, Villages and Special Districts*

*While cities could incorporate an entire adjacent municipality into their own borders, they may not be consolidated.

Both processes are discussed in detail below. The Department of State's *New N.Y. Government Reorganization and Citizen Empowerment Act: A Summary of the Process for Consolidation and Dissolution* is an indispensable guide for any resident or municipal official seeking additional information.⁶

Dissolution

Governed by Article 17-A of the General Municipal Law, dissolution involves “the termination of the existence of a local government entity.” In practice the option has applied primarily to villages, however, it is also available to other special districts

Villages that have recently dissolved include:

- *Andes (2003);*
- *Pike (2009);*
- *Limestone (2010);*
- *Seneca Falls, Randolph, East Randolph and Perrysburg (2011);*
- *Edwards (2012); and*
- *Altmar (2013).*

Note – Voters in the villages of Keeseville (Clinton and Essex Counties) and Lyons (Wayne County) have approved dissolutions. Keeseville will dissolve by December 31, 2014 and Lyons by January 2015, pending the outcome of a second permissive referendum on March 18, 2014.

created by law.

Village dissolution involves eliminating the village government only. As village residents are simultaneously residents and taxpayers to their surrounding town, village dissolution results in the town government assuming service responsibility.

Since 1921, 47 village governments have dissolved. Ten of those have occurred in the past five years alone, a 30 percent approval rate on the 33 dissolution referenda held since 2008. Among them was Seneca Falls, the largest village dissolution in state history, which dissolved into the surrounding Town of Seneca Falls in 2012.

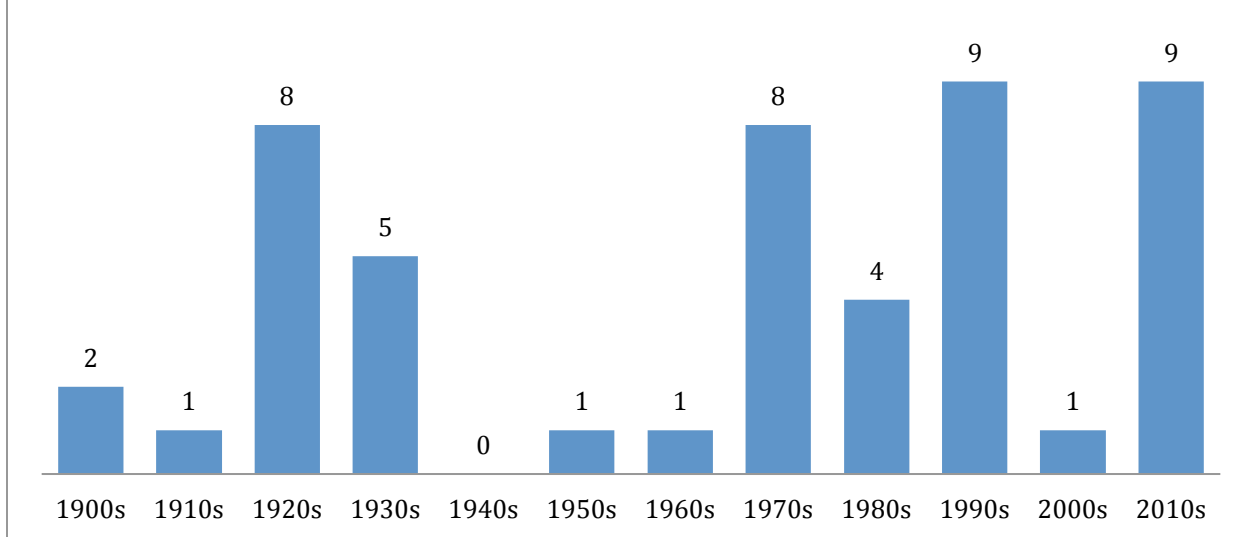
Two dissolution processes are available. Under a board-initiated dissolution, the village board passes a resolution endorsing a dissolution plan specifying elements including fiscal estimates of the dissolution and formal processes for transferring or eliminating village employees, disposing of village

assets, and handling existing liabilities and indebtedness. The plan, typically developed through detailed study and analysis, is subject to public referendum of village voters.

The second, voter-initiated dissolution, allows a dissolution process to commence upon filing of a petition containing 10 percent of the voters in the village (or 5,000 signatures, whichever is less), even without action of the village board. In villages of less than 500 voters, signatures of 20 percent of voters are required.

Distinct from the board-initiated process, the voter-initiated procedure requires an initial public referendum *prior to development of a dissolution plan*. In the event the referendum passes, the village is required to draft a formal plan that contains all the same elements as cited in the board-initiated section above. Once drafted, that plan can either a) automatically take effect upon approval of the village board, or b) be brought up via petition for a permissive referendum. To be subject to permissive referendum, a certified petition (with signatures of at least 25 percent of voters or 15,000 signatures, whichever is less) must be filed within 45 days of approval by the governing body.

Village Dissolutions in NYS 1900 to present



Rejection of dissolution by voters results in a four-year moratorium on either board-initiated or voter-initiated dissolution efforts, to prevent a “perpetual dissolution” effort from disrupting governments.

Regardless of the process used, only village voters cast ballots in a village dissolution referendum. Notwithstanding that eliminating a village often creates fiscal implications for the surrounding town, town-outside-village voters do not cast votes on the decision.

Consolidation

Consolidation involves two or more governments and can be achieved one of two ways: one government “absorbs” another or multiple governments are eliminated and a new successor government is created to cover all of the predecessor municipalities.

Full municipal consolidation has not occurred as often as dissolution in New York. But this has not deterred communities from exploring its potential benefits. Batavia, Rye Town, Liberty, New Paltz, Ridgeway and the City of Buffalo and Erie County are among those who have formally studied it in recent years.

Akin to the dissolution process, consolidation can be achieved through board- or voter-initiated processes. Under a board-initiated consolidation, the governing bodies of the participating governments pass resolutions endorsing a consolidation plan containing similar elements to a dissolution plan.

The plan is subject to approval by the governing boards, public hearings and simultaneous referenda in each community. Affirmative votes in each community are required in order to achieve consolidation; failure to approve in one or more of the entities results in no change to current structures. Similar to dissolution votes, rejection results in a four-year moratorium on consolidation efforts.

Under the New NY Government Reorganization and Citizen Empowerment Act, the process for a voter-initiated consolidation mirrors that of a voter-initiated dissolution. It enables a consolidation effort to commence upon filing of petitions containing 10 percent of the voters (or 5,000 signatures, whichever is less) in *each* affected municipality. In municipalities of less than 500 voters, signatures of 20 percent of voters are required.

Like the voter-initiated dissolution process, this pathway requires an initial public referendum *prior to development of a consolidation plan*. In the event the referendum passes, the governing bodies are statutorily required to draft a formal plan that contains all the same elements as cited in the board-initiated consolidation process. Once drafted, that plan can either a) automatically take effect upon approval of the governing bodies, or b) be brought up via petition for a permissive referendum.

Examples nationally show an increased attention to municipal consolidation. In 2013, the two governments in Princeton, New Jersey merged – that state's largest consolidation in a century. In 2012, voters in Macon, Georgia approved a merger with Bibb County.

Unlike village dissolution – which can be implemented unilaterally and permits only residents of the affected village to vote on passage – consolidation requires joint participation by *each* affected municipality and its voters.

Managing the Community Change Process

When it comes to service optimization, shared services or restructuring, there is no “right” strategy that applies to *every* community. Municipal change of whatever form is an inherently public process that requires the right procedural infrastructure, community engagement and objective analysis.

In 2013, Rochester-based CGR (www.cgr.org), in partnership with GovWorks Consulting, released a white paper documenting the essential components of an effective municipal change process. The approach, honed through CGR’s nearly 100 years of delivering analytical and change management services to New York communities, emphasizes decision-making processes, broad-based public information and feedback vehicles, and a credible and comprehensive study process.

In 2009, Princeton Township and Princeton Borough, New Jersey began to again consider the prospects of joining their two governments after previously unsuccessful attempts. The following table presents the aforementioned approach in the context of Princeton’s recent municipal consolidation, which CGR and GovWorks staffed.

Following a 2011 referendum, the merger took effect in January 2013 and resulted in more than \$1 million in first-year savings and a municipal tax reduction. Recurring savings at full implementation are projected to exceed \$3 million annually.

Description

1: Understand the community

Regardless of whether (or how) a community ultimately decides to pursue a restructure, it is essential that a clear “process infrastructure” be in place. The first step is to understand potential obstacles, community history and other factors that can derail a study effort.

Leaders must address how a new study effort can address any past obstacles or concerns so that the current process can garner wide acceptance among community leaders and stakeholders.

2: Form the committee and establish operating procedures

A committee typically oversees the planning process, and building an effective committee involves attracting the right members. Also worth noting:

- In a consolidation or shared services effort, it is advisable for the committee to have equal representation from the impacted communities. In a village dissolution effort, although the town has no legal authority to render a decision, village *and* town representation on the committee can be extraordinarily helpful in assuring an open dialogue between the two governments and mitigating the uncertainties that accompany eliminating the village.
- The committee should seek both elected officials and citizen members – the former to establish process legitimacy, have knowledge of governance, and ensure the governments’ involvement, and the latter to lend “outside” objectivity and a public voice.
- A high degree of effectiveness comes with 8 to 12 “voting” members. Committees that are too large can become unwieldy and limit constructive action; committees that are too small risk being unrepresentative.
- Establishing standard operating procedures and a clear process for decision-making for the committee is critically important. Without them, it will be hard for a committee to function when issues get contentious, may open the committee up to criticism and ultimately weaken public trust in the effort.
- Procedures should be established to conduct regular business. Establishing the requirement for a quorum is important, as is creating a strong decision-making structure that is applied faithfully and consistently.

Any dissolution, consolidation or shared service effort requires significant work in a number of detailed areas – governance, administration, operations and finances, and community engagement among them. Creating subcommittees that are balanced, representative and issue-focused can efficiently drive the work of the committee and adhere to project timelines.

3: Make the process clear and transparent

The municipal change process is a *community* change process, with large potential impacts. It is essential that the committee’s meeting minutes, reports and other information be easily accessible to the public.

In addition to initial public forums to solicit feedback and input from the public, it is critical to reach out to residents and community stakeholders throughout the process. Also consider different meeting formats and venues: Neighborhood meetings hosted by a resident or church group, or guest speaking at a club or community organization. These can all help engage the public at the grassroots level.

4: Have a credible, thorough study process

The study process should involve a complete review of existing services and costs. First, it serves as a common factual foundation for the process – a shared point of departure for the committee and community. Second, it forms a baseline from which to develop and assess dissolution, consolidation or shared services options and their impact on the community.

5: Have a fact-based, issue-driven community campaign

Opposition, misinformation and rumor are characteristic of nearly every dissolution, consolidation or shared services effort to one degree or another. An organized, fact-based effort can help ensure an honest community dialogue takes place, and informs citizens with fact rather than innuendo.

What happened in Princeton

In Princeton, consolidation proposals failed at the ballot box in the 1950s, 1970s and 1990s. The most recent proposal was advanced as a consolidation-only study since some elected officials from both the Borough and Township were supportive of studying a potential merger while others were supportive of studying the potential for shared services.

The governing bodies decided that garnering near-unanimous support from both communities' elected officials would add credence to the study and start community leaders on a path toward establishing public trust. As a result, in the fall of 2009 both governments passed resolutions to create a joint study commission that would consider both shared services (in police and public works) and full municipal consolidation.

Establishing a Quorum - It is critically important to enable the committee to make important decisions, establish public trust and diffuse heated issues. In Princeton, a formal quorum rule was established at the outset to ensure both communities would have equal control over the committee's decision-making. In order for recommendations to move forward, a majority of representatives from each community had to provide consent.

Using Subcommittees - In Princeton, subcommittees were formed for Police, Public Works, Governance / General Municipal Consolidation, Finance and Community Engagement. The police and public works subcommittees allowed committee members to dive deeply into the structure of these departments and address community and staff concerns. The municipal consolidation subcommittee focused on structural issues of consolidation such as recommending the form of government for the combined municipality and addressing disparities in the delivery of services. The finance subcommittee worked to track the savings from the committee's recommendations, explain the cost savings impact to residents and estimate transition costs. The community engagement subcommittee played a critical role in reaching out to the public (through over 70 meetings with neighborhood groups and community stakeholders), explaining the committee's work, answering questions and addressing community concerns.

The committee used a website to post meeting minutes and committee reports. The public could also submit questions and feedback to the committee via the website, strengthening community engagement and public trust in the process. Multiple public forums were held at key points throughout the process.

The process used in Princeton involved developing a Baseline Report – an objective analysis of available data to serve as the basis for discussions about future options. The report provided the same information to the committee and community alike, ensuring shared information and a common “language.” A subsequent Options Report – built on the baseline study – outlined viable alternatives for the future, including estimated service impacts and tax implications. Together, these reports were used by the committee to make its recommendation in favor of consolidation.

In Princeton there were two campaigns. “Preserve our Historic Borough” was in *opposition* to the consolidation, while “Unite Princeton” was in *favor* of consolidation. Both were issue-driven, however “Unite Princeton” had a larger, more active organization and was considered more effective by focusing on two areas:

- Proactive voter outreach: Just as in an election campaign, a headquarters was established at a business that volunteered space. Voter lists and databases were obtained and targeted voters were reached through direct mail, call centers and door-to-door literature drops.
- Rapid response: It is important to be positioned to address any concerns or misinformation that will inevitably arise during the process. The ability for “Unite Princeton” to proactively address voters and provide counterpoints and facts in response to emotional arguments and misinformation was a critical component in the referendum's passage.

Conclusion

As economic and fiscal conditions have tightened in recent years, local governments statewide have increasingly explored consolidation and service reengineering as pathways to a stronger bottom line. A variety of options exist – from shared services on the one hand, to more formal restructurings such as dissolution or consolidation on the other. There is no “one size fits all” approach that makes sense for all municipalities. The answer for – and impact on – each community is different. Through a sincere consideration of the statutory alternatives available to local governments, and effective “infrastructure” to manage any change effort, communities can realize benefits that yield more sustainable and affordable services.

Governor Cuomo has further spotlighted this issue in his FY 2015 Executive Budget proposal to link a temporary state-subsidized “Freeze” of local property taxes to a locality’s willingness to take “concrete steps to reduce their costs through shared services and or consolidation.”⁷

[This paper is a joint product of the Empire Center for Public Policy in Albany, NY; the Center for Governmental Research in Rochester, NY; and GovWorks Consulting in Princeton, NJ.]

Additional Information

- New York State Department of State, Division of Local Government Services (www.dos.ny.gov/lg)
- CGR (Center for Governmental Research) (www.cgr.org)
- Princeton, NJ Consolidation Study Commission (www.cgr.org/princeton)

Endnotes

¹ As defined by the New York State Commission on Local Government Efficiency and Competitiveness, general purpose local governments include; counties, cities, towns and villages. Access the Commission’s report at http://www.nyslocalgov.org/pdf/Local_Government_Count.pdf.

² Although this paper focuses options for local governments, similar approaches are also available to school districts, and they are increasingly exploring them. In the past two years, the New York State Department of State has awarded reorganization study grants to a number of district pairs, including Mayfield & Northville, Wells & Lake Pleasant, Pavilion & Wyoming, Stockbridge Valley & Madison, and Hamilton & Morrisville-Eaton. Access the State Education Department’s comprehensive *Guide to the Reorganization of School Districts in New York State* at http://www.p12.nysed.gov/mgtserv/sch_dist_org/GuideToReorganizationOfSchoolDistricts.htm.

³ State of New York, General Municipal Law, Article 5-G, Section 119-o.

⁴ <http://www.osc.state.ny.us/localgov/pubs/lgmg/sharedservices.pdf>

⁵ <http://www.dos.ny.gov/lg/publications.html#lge>

⁶ <http://www.dos.ny.gov/lg/publications/ConsolidationDissolutionProcedures-summary.pdf>

⁷ Governor Cuomo’s 2014 State of the State Address, <http://www.governor.ny.gov/press/01092014-transcript-2014-sos>