

Memorandum

To: City and Town of Batavia Consolidation Study Committee
From: Charlie Zettek
Date: December 15, 2008
Re: Re-Thinking the Study – Moving to a November 2009 Referendum on New Batavia

BACKGROUND

The City and Town received a Shared Municipal Services Incentive (SMSI) grant from the State in the spring of 2008. After an RFP process, CGR (Center for Governmental Research, Inc.) was selected to conduct the study for the City and Town. The overall objective of the study was to identify ways to make the joint operations of the two governments more effective and efficient, by exploring ways to work together incrementally under a shared services approach, up to and including a full consolidation of the two governments. Results of the study are expected to be delivered by October, 2009.

This study for Batavia is being carried out within a broader context – an intense interest on the part of New York State to encourage and support local government consolidation efforts. While municipalities across the state have historically pursued ways to deliver services more efficiently through shared services, there has been effectively no reduction in the number of local governments. As documented in the April 2008 report by the State Commission on Local Government Efficiency and Effectiveness (LGEC), New York State must figure out how to reduce the number of governments through dissolution and consolidation in order to provide efficient, effective and equitable local government services. To that end, the New York State legislature, in both the 2007-08 and 2008-09 State budgets, authorized and appropriated substantial financial incentives through additional Aid and Incentives to Municipalities (AIM) funding, to be given to municipalities who consolidate and eliminate one governmental entity. Based upon the current formulas, CGR estimates that if the City and Town of Batavia consolidate into one government, the additional *new* AIM revenues would be approximately \$650,000 in the first year, with higher amounts in future years. This would be enough to reduce the combined property tax levy of the City and Town by 15% per year.

INFORMATION COLLECTED TO DATE

As of today, CGR has accomplished the following tasks:

- Interviewed the following community leaders: Lynn Freeman, Jay Gsell, Mary Pat Hancock, Charlie Mallow, Bev Mancuso, Jason Molino, Greg Post

- Built a table comparing revenues and expenditures on a function-by-function basis from 2005-2007 for the City and Town using data from the Office of State Comptroller (OSC)
- Obtained complete personnel rosters for full and part-time employees of the City and Town as of October, 2008
- Reviewed background reports and articles about shared services and consolidation initiatives in the community.

This information has provided CGR with sufficient background to be able to understand the general context that frames future opportunities. While much more detailed study needs to be done to determine potential opportunities and specific changes to services and costs on a function-by-function basis, we can now frame the key elements and issues facing the study going forward, based on our extensive experience in the field.

WHAT WE KNOW ABOUT SHARED SERVICES AND CONSOLIDATION

CGR has conducted eight SMSI shared services/consolidation studies between towns and villages since 2007. In addition, CGR wrote a report for the LGEC Commission which examined the potential for city/town consolidations for the cities of Cortland, Norwich and Oneonta and the towns which surrounded these cities. CGR has also conducted extensive research into municipal shared services/consolidation issues and opportunities across the nation. While it is clear that there are unique circumstances that need to be taken into account for each region and combination of municipalities, we also know that there are some general guiding principles that apply to municipal shared services and consolidation initiatives.

We do not want to over-simplify a complex subject, however, it is important to understand these principles and how they apply to what the City and Town of Batavia hope to accomplish. Here are five key findings that can be taken into account in Batavia:

1. Shared services savings are usually at the low end of a range of 2% -5% for those functions that are combined. Shared services means keeping the existing forms of government, but jointly managing a function common to both entities, which creates opportunities to achieve personnel, purchasing and/or other operational efficiencies,
2. Consolidating governments saves more money than shared services, for two reasons:
 - Consolidation eliminates the overhead costs of one level of government (i.e. the cost of the governing body and duplicate support level costs across all functions),
 - As long as the AIM incentives are authorized, this provides substantial new revenue for the community.

In two town/village consolidation studies recently completed by CGR, efficiency savings could reduce property tax levies in the combined entity in the range of 7% to 11%. Adding in AIM incentives, property tax levies could be reduced by 11% to 26%. This

gives a reasonable range of what could be expected in terms of property tax levy reductions if the City and Town of Batavia are consolidated. To accomplish efficiency savings and reduce the combined tax levy by 10%, overall costs would need to be reduced by \$380,000 to \$400,000. This should certainly be achievable, given that the combined expenditures of the two entities totaled over \$30 million in 2007. The 15% property tax levy reduction due to the AIM consolidation incentive noted previously would be added to these savings.

3. Consolidating governments offers longer term cost and efficiency improvements that separate governments find very difficult to achieve, especially for services that are most effectively managed on a regional level. In greater Batavia, local governments have ironed out their differences over provision of regional water service, and the City and Town have worked cooperatively on a regional waste water treatment system. However, current boundaries and the resulting turf protection issues have made it very difficult to develop cost effective regional solutions to deliver ambulance, police and fire services.

In addition, while Genesee County has the most coordinated and respected economic development management strategy in the western part of the state, the existence of current municipal boundaries still results in unequal distribution of the benefits of new development. For example, Full Value of Real Estate as reported in the OSC database for 1996 to 2006 shows the following:

- Five year period 1996-2001: City of Batavia growth in Full Value = +3.4%
Town of Batavia growth in Full Value = +12.0%
- Five year period 2001-2006: City of Batavia growth in Full Value = -.7 %
Town of Batavia growth in Full Value = +26.2%

4. In Batavia, the artificial boundaries of the city limit within the town have already become blurred. Two examples illustrate that the greater community is thinking outside the box imposed by the current municipal boundaries.
 - The sewage treatment operation clearly showed how a system needed by the urbanized area in the community (including properties in both the City and the Town) could most efficiently be built by utilizing town land,
 - New municipal and private sector development around the new Town Centre retail center is driving discussions about land deals between the City and Town that recognize the desirability of shifting boundaries to accommodate growth.

In addition, Batavia already has two distinct advantages in pursuing consolidation:

- Most public school students in the town attend the Batavia City School District. Thus, there is not a town versus city conflict in public education within the greater community

- The City and Town share the same name, thus there would be no loss of brand identity from the perspective of the outside world if the two entities were to consolidate.
5. Key community leaders support consolidation. CGR is convinced that an absolutely critical factor in determining whether or not consolidation can be accomplished is the extent to which key community leaders actively support consolidation, including the top elected officials of the governments to be consolidated. Fortunately for Batavia, it appears to us, based on the interviews conducted to date, that the top elected leaders in both the City and the Town are willing to actively support consolidation as being the right thing to do for the greater community in the long run. In addition, there appears to be the momentum for consolidation in the community, given recent successes with water, the City dispatch consolidation, and economic development efforts.

TWO KEY QUESTIONS

In light of the five findings noted above, CGR believes that the Study Committee should strongly consider pushing for putting consolidation to a vote in the general election on November 3, 2009. In effect, this would be asking the community to call the question of whether city and town voters are in favor of consolidating the two governments. To review, it appears that there are several key factors aligning in favor of consolidation at this time, but this window of opportunity is likely to be limited to the 2009. These factors include:

- The fiscal challenges facing the state and local economies are driving everyone to focus on ways to reduce costs and lower taxes,
- The State has, to date, provided a significant financial incentive to consolidate (the new AIM incentive),
- The Batavia Council President and Town of Batavia Supervisor support pursuing consolidation,
- Recent events in the community demonstrate that consolidation works and benefits the greater community.

Given the above, the Committee should address two key questions at this time:

1. Does the Committee believe it would be in the best interest of the community to have City and Town voters choose whether or not to consolidate the City and Town in the November 2009 general election?
2. If the Committee answers the first question in the affirmative, then will the Committee change the scope of the work CGR is engaged to perform?

Essentially, *we see the work shifting from being a study that identifies the opportunities of consolidation to being a project that develops a consolidation plan that can be presented to the voters in November 2009.*

The consolidation plan would work out the details for a new single form of government, and how every function would be provided, along with cost and tax implications. The consolidation plan would need to provide enough detail for voters to make an informed decision. However, we assume that, similar to the village and town dissolution/consolidation process, the new consolidated government would not actually come into being until the start of the year following the year of the vote to consolidate, i.e. the new consolidated government would come into existence on 1/1/2011. For discussion purposes, we will refer to this new consolidated government as New Batavia. Additional details would need to be developed during the transition year of 2010, such as finalizing the charter for New Batavia, developing personnel, facility and equipment transition plans, etc.

Should the Committee decide to proceed towards a consolidation referendum in November 2009, the Committee and CGR should immediately develop a revised scope of work and work plan, and ensure concurrence from the Department of State that this meets the requirements of the SMSI grant. The major elements of the revised work plan are identified in the attached draft work plan.

REVISED SCOPE OF THE WORK

If the Committee chooses to push for a consolidation vote in November 2009, CGR proposes changing our scope of work to be able to carry out the tasks summarized in the attached work plan. The plan shows the major work components and delivery points, organized into three major phases:

1. Phase 1 – Develop a baseline of current operations. This will provide the factual framework from which to build options for a consolidated model. To be completed by March 1, 2009.
2. Phase 2 – Develop a model for New Batavia. This would evaluate different models for organizing and delivering the full range of services to be provided in New Batavia, on a function-by-function basis. As noted on the work plan, this would include, but not be limited to evaluations of models for the elected body, general administration, public works (including water and sewer), fire, police, courts, planning and zoning, buildings and code enforcement, etc., as well as fiscal planning issues – cost, revenue and tax implications of the New Batavia model. CGR would provide the technical assistance for developing these models for the Committee, with the expectation that the Committee will be the lead entity for presenting these options to the community. The draft new model, with various options, would be presented by the end of May, 2009.
3. Phase 3 – Community discussion about New Batavia, leading up to the vote on November 3. CGR would assist the Committee in two public participation processes. During June and July, the Committee would hold a series of community forums to discuss options and receive community input. During August, the Committee would

develop a final model for New Batavia. Technically, this would be the consolidation plan. The proposed consolidation plan would then be presented to City Council and the Town Board in September. After their revisions, the final Plan would be presented in the required public hearings from the end of September to mid-October, to meet official notification requirements before the November 3 vote.

As shown in the work plan, if the voters approve creation of New Batavia, the following year (2010) would be spent developing the transition details and implementation plan, so that New Batavia would become a new corporation effective at midnight, January 1, 2011.

Four major questions have been raised so far regarding the impact of consolidation on city and town residents and businesses. Answers to these questions need to be addressed as the New Batavia model is developed over the next nine months. Our initial thoughts about how these questions would be addressed are as follows:

- Question - How can we ensure that city and town residents and businesses are fairly represented in the new government? Answer – the Committee would explore options for the elected body of New Batavia to ensure proper representation. Options to be discussed would include the size of the elected body, whether or not it should be a mayor or manager form of government, and whether or not to have a combination of district and at-large representatives. These discussions would ideally be conducted as part of the charter review process. A new charter would need to be developed as part of the transition plan, to be presented to the voters in November.
- Question – How can we ensure that the current costs and obligations of the city are not unfairly transferred to current town taxpayers? Answer – there are two factors that can be incorporated into the model that should help minimize this concern. First, as noted above, consolidation can be expected to yield both short term and long term savings. These cost reductions will benefit everyone in New Batavia. If additional AIM revenues are provided by the State, these revenues would also benefit everyone in New Batavia. Second, there are several examples in the State of cities with dual taxation zones within cities, with the taxes in the urbanized zone being higher to reflect a higher level of services (infrastructure, police, water, sewer, etc.) The City of Rome has a dual taxation zone, and Rome covers 74.9 square miles. New Batavia would cover approximately 53.6 square miles.
- Question – What would happen with fire and police services? Answer – the consolidation Plan would include a complete review of options for fire and police within New Batavia. There are several possible models that could be achieved in the long term, as the result of a planned transition. Regarding fire, there are numerous examples across the state of fire departments with combined career and volunteer firefighters, which is a likely long-term model for New Batavia. Regarding police, long term options might include some combination of current police and sheriff operations. CGR recommends that the City seek additional State Local Government Efficiency (LGE) grants to pay for separate fire and police studies that would provide detailed models for fire and police options, and develop transition plans for these services that can be integrated into the overall plan

- Question – What is the process for approving the creation of New Batavia? Answer – there are several possible scenarios which need to be evaluated and decided as part of the plan. What will actually be presented to voters needs to be worked out. For example, it is not certain at this time if voters would be asked to approve dissolution of the City and Town. Further, it is likely that all voters in the City and Town would be asked to approve a new charter for New Batavia (which would be required, for example, to set up dual taxation zones.) It is clear, however, that the State Legislature will need to be involved in approving the creation of New Batavia. Thus, it will be important to involve the state delegation in the planning and public participation process, to ensure their support.

NEXT STEPS

In summary, CGR recommends that the Committee take the following actions to move forward as outlined in this memo. Additional review of other initiatives currently underway or in discussion, such as the work of the City Charter Commission and development of a comprehensive plan for the City

1. Decide if the Committee wishes to recommend to City Council and the Town Board that this project should be changed to drive towards a public referendum in November, 2009 to determine if the public wants to create a New Batavia,
2. Develop a new work plan with CGR, and obtain approval from the State for the new work plan to ensure continued funding from the SMSI grant,
3. Request that the City (with the Town as co-sponsor) seek additional funding, such as Local Government Efficiency grants to develop fire and police service models and transition plans to be incorporated into the overall plan for New Batavia
4. The Committee, along with the City and Town, should review other initiatives currently underway or in discussion, such as the work of the City Charter Commission and development of a comprehensive plan for the City, to ensure that their schedules align and are consistent with the work plan from now until next November.