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An Assessment of the Fiscal and Service Impact of Merger Towns of Gerry & Charlotte

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FINAL REPORT

Prepared for:

The towns of Gerry & Charlotte, NY and the Village of Sinclairville

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Introduction

The Center for Governmental Research (CGR) was engaged by the towns of Gerry and Charlotte and Village of Sinclairville (with financial support from New York State) to undertake a study of the effects of merger, including the impact on property tax rates, and a plan for service delivery after the merger takes place. The report identifies the decisions that will be put before the three governing boards.

A Profile of the Gerry/Charlotte Community

History

The towns of Gerry, Charlotte, and the Village of Sinclairville are located in Chautauqua County, the southwestern-most county of New York State. Founded in 1812 from the Town of Pomfret, the Town of Gerry originally included Ellington, Cherry Creek and Charlotte. By 1829 each had split off into separate towns. The community was named after Elbridge Gerry, a signer of the Declaration of Independence and elected Vice President of the United States in 1812.*

John Downs' 1921 History of Chautauqua County tells us that "the population of Gerry in 1915 (State census) was 1,175 citizens, 19 aliens."[†]

* <http://gerryny.us/html/history.html>

† See additional detail on the early settlement and development of Gerry in John Downs, *History of Chautauqua County, New York and its people*, American Historical Society, Inc. 1921, <http://history.rays-place.com/ny/chau-gerry.htm>

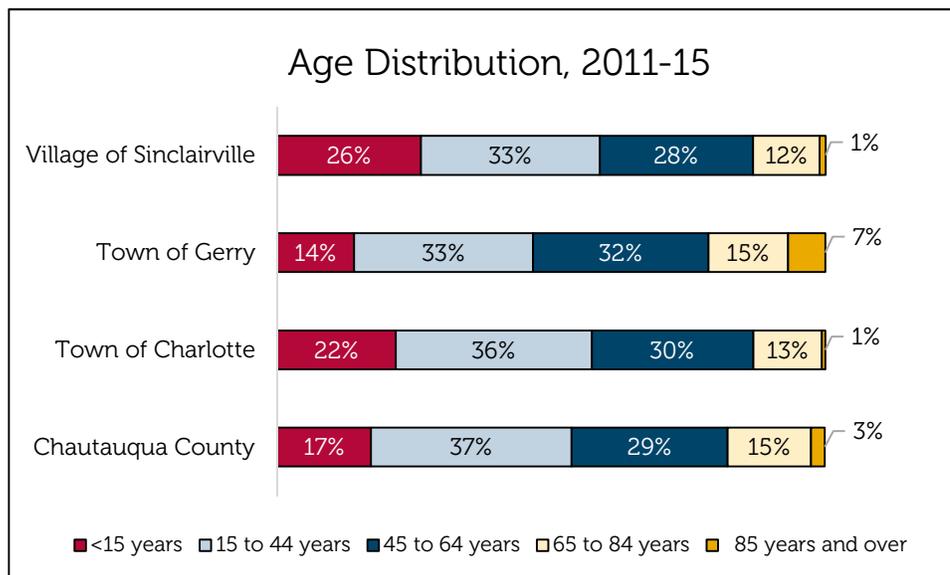
Population Demographics

Today, the towns have a combined population of just under 4,000 residents.

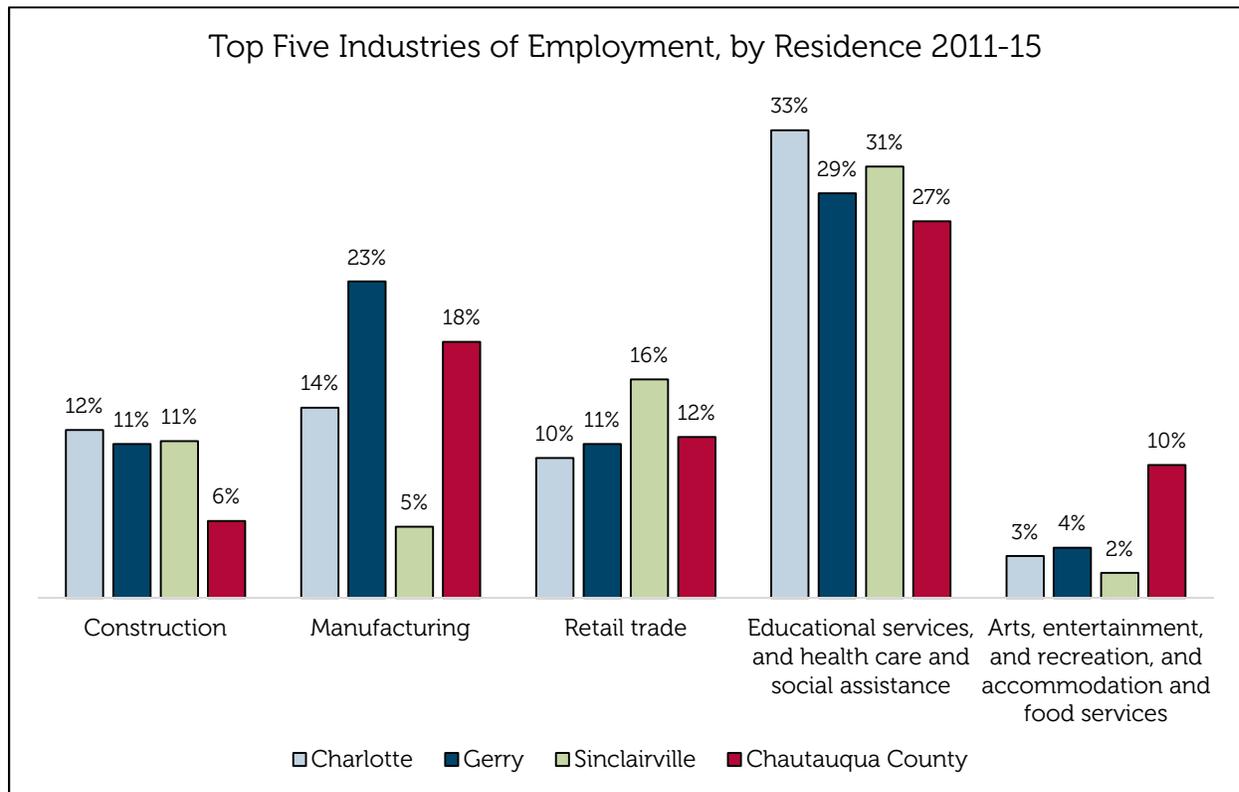
Town of Charlotte				Town of Gerry			Village of Sinclairville
	Town of Charlotte (outside of village)	Sinclairville Village (part in Charlotte)	Total	Town of Gerry (outside of village)	Sinclairville Village (part in Gerry)	Total	Total
2000	1,158	555	1,713	1,944	110	2,054	665
2011-15	1,250	575	1,825	2,002	69	2,071	644
% Change	7.9%	3.6%	6.5%	3.0%	-37.3%	0.8%	-3.2%

Source: U.S. Census Bureau

Charlotte and Gerry's population growth is in contrast to trends in the county as a whole, which lost about 5% of its population from 2000 to 2015.



The Educational Services, Health Care and Social Assistance sector employs around one-third of residents in each of the towns of Gerry, Charlotte and Sinclairville.



Economic aspects such as median household income, labor force participation and rates of poverty in Charlotte and Sinclairville are consistent with the county as a whole. The Census reports a higher median family income and a substantially lower share in poverty in the Town of Gerry, when compared to the rest of the county.

	Chautauqua County	Town of Charlotte	Town of Gerry	Village of Sinclairville
Households				
Total households	53,546	686	748	237
Median Household Income	42,993	44,052	51,888	42,344
Families				
Total Families	33,580	501	550	173
Median Family Income	54,131	49,107	59,500	45,179
Employment				
Population 16 years and over	108,265	1,419	1,733	475
In labor force	58%	66%	59%	65%

	Chautauqua County	Town of Charlotte	Town of Gerry	Village of Sinclairville
Poverty				
All people	19%	20%	6%	21%
Under 18 years	30%	32%	11%	35%
18 years and over	16%	16%	4%	15%
18 to 64 years	18%	17%	5%	14%
65 years and over	8%	14%	3%	20%
All families	14%	16%	5%	15%
Married couple families	6%	13%	2%	9%
Families with female householder, no husband present	37%	28%	16%	37%
Age Distribution				
Median age (years)	41.7	40.6	46.8	37.8
15 to 44 years	37%	36%	33%	33%
18 years and over	79%	75%	80%	69%
65 years and over	18%	13%	21%	13%

Source: American Community Survey, U.S. Bureau of Census, 2011-15

Service Delivery Today

NYS Local Government

Every property in New York State is part of a county and either a city or a town (even in New York City, as each of its five boroughs is technically a county).

Towns

There are 932 towns in New York ranging from Hempstead in Nassau County with population of about 768,000 to Morehouse in Hamilton County with 38. While originally considered “involuntary” divisions of the state for purposes of administering government at the local level, towns eventually gained status as “municipal corporations comprising the inhabitants within its boundaries, and formed with the purpose of exercising such powers and discharging such duties of local government

and administration of public affairs as have been, or, maybe conferred or imposed upon it by law.*" Towns were granted Home Rule powers in 1964.

Towns are empowered to provide a wide range of public services depending on the needs of the residents. As towns vary from sparsely populated, rural communities like the 451 square mile Town of Webb in Herkimer County to urbanized towns like the 0.7 square mile Town of Green Island in Albany County, the structure and function of town government also varies greatly. Rural towns may provide little more than the administration of elections, maintenance of justice services and the provision of highways. More urbanized towns may assume responsibility for public safety, water and sewer facilities, recreation—all of the functions associated with cities.

Given the diversity of towns and the diverse service needs within towns, these units of local government are empowered to provide services on a town-wide basis, including services to villages; and services to only part of the town, either to the entire area of the town outside existing villages (the "TOV") or to a specific district or area of the TOV.

As all property must be either in a town or a city, a town cannot dissolve. It may become a city (although the last city established in the state was the City of Rye in 1942) or it may merge with an adjacent town or city. That said, no proposed town-town mergers have actually occurred in the modern era. The existing configuration of NYS towns was essentially fixed in the early 20th century.

The division of large towns into smaller units of government was common in the 19th century as the population grew and residents began demanding more services. Without modern transportation, large towns were difficult to service. Carved out of Pomfret in 1812, the Town of Gerry originally encompassed the present day towns of Gerry, Charlotte, Cherry Creek and Ellington.

Today, the leaders of the three municipalities have chosen to explore the merger of Gerry and Charlotte and the dissolution of Sinclairville.

Villages

A village is different as it can be established (or dissolved) by local initiative. Only properties within towns can become part of a village. A village cannot be formed within a city. Properties within a village do not cease to be part of the town—the residents are considered part of both the village AND the town, just as they live both in the county and in the state.

* NYS Town Law, Section 2.

Traditionally, a group of property owners will choose to establish a village for the purpose of providing an additional level of public service that is not available from the surrounding town. A cluster of homes may choose to jointly develop a water or sewer system, for example, a service not needed in the more rural town. Other villages form for the purpose of establishing a local police department.

There were 555 villages in New York State as of 2010. Four villages dissolved at the end of 2011 with several others, including neighboring Forestville, dissolving at the end of 2015 and 2016. A bid to dissolve nearby Sherman failed by two votes in a recent referendum.

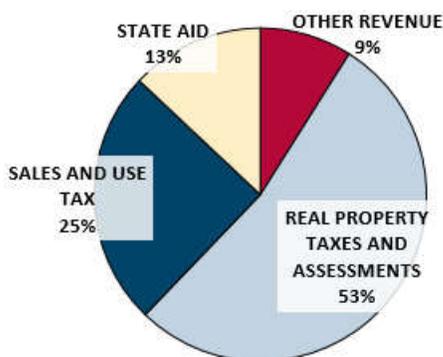
Nearby Cherry Creek may dissolve at the end of 2017. The Village Board received a petition to hold a referendum on dissolution in 2016, which was held in February 2017 and passed. A draft dissolution plan was passed in May and will be the subject of a public hearing in June. Unless a permissive referendum is requested by petition and turns down the plan, the plan will go into effect.

Where does the money come from?

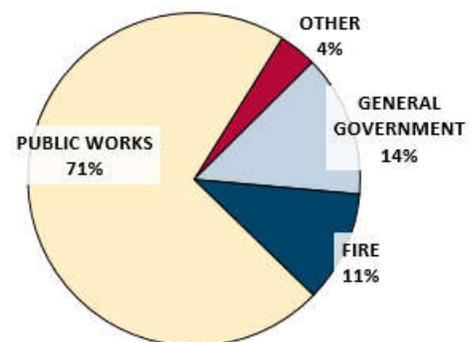
Viewed on a consolidated basis, more than half of the revenue to provide services to the two towns and the village comes from the property tax. The community's share of the Chautauqua County sales tax is also significant.

"Other revenue" includes various fees, fines, gifts/donations and other small items.

Sources of Revenue 2015-16
Gerry, Charlotte, Sinclairville



Uses of Revenue 2015-16
Gerry, Charlotte, Sinclairville



Where does it go?

Public works—including highway maintenance, snow plowing, etc—is the largest single expense for these three communities. General government and fire protection comprise 25% of the remainder.

Gerry, Charlotte & Sinclairville offer similar services

Although services provided by NYS towns vary widely, the services provided by Garry and Charlotte are quite similar and, in a number of cases, already share staff.

- Both rely on the Chautauqua County Sheriff for police protection.
- The Cassadaga Valley Central School District serves both towns (plus portions of Stockton and Pomfret).
- Both provide similar services to highways through highway departments led by independently-elected highway superintendents.
- Both have a single town justice and share a court clerk.
- Each town elects one supervisor, four members of council, one clerk and, as noted above, a highway superintendent.
- Both towns share a municipal attorney, code enforcement officer and assessor.

A municipal merger

The purpose of this study is to explore the implications of consolidating government across the three communities.

Service delivery after merger

The spirit of cooperation in evidence among the community's elected leaders speaks well of the prospects for merger. Although some town and village functions can continue unchanged, some will likely change over time as the administrative leadership of the new town re-aligns responsibilities. Other positions, particularly those of elected officials, will be eliminated.

Both supervisors have committed to saving money through attrition, not through abrupt layoffs. Cost savings from merger will evolve over time as existing departments are merged and incumbents retire or choose to leave for other opportunities.

Administration

Although the supervisors are committed to shrinking staffing by attrition, they would not be able to protect their own positions. The merger of the towns and the dissolution of the village will immediately eliminate one supervisor, four members of town council, one town clerk, one highway superintendent plus the elected officials of the village—the mayor and four trustees.

- Combined spending on these positions across all three municipalities (including an estimate of employee benefits) was about \$35,000.
 - The combined population of the two towns would be just under 4,000. Chautauqua County towns with comparable populations are Chautauqua, Ellery and Westfield. Westfield employs a full time supervisor. The average salary of the part time supervisors in Chautauqua and Ellery is just under \$11,000. With benefits, the comparable salary in the combined Gerry/Charlotte would be about \$15,500.
 - Council members can also be expected to be paid more. The sums paid to council members varies widely within the county—now paid \$1,000 each, a stipend of \$2,000 for the combined community is a reasonable assumption.
 - *Savings from the elimination of these positions, adjusted for salary increases, would total about \$8,000, 24% of current spending.*

Clerk

The Gerry Town Clerk works 30 hours per week and has two staff members who are part time. The Charlotte Town Clerk also serves as the Village Clerk for Sinclairville (in the shared town/village office). Personal service plus benefits plus contractual service for the clerk function totals just under \$86,000.

The work of the clerks is quite transactional. Merger may achieve some efficiencies as the three clerk functions are merged but these savings would probably be modest and would emerge over time as the clerk of the new town identifies opportunities. There would be only one elected clerk, however.

Justice

NYS Town Law §20 specifies that towns shall each have two justices, although there is provision for reducing this to a single justice, as is the case in Gerry and Charlotte. The Village of Sinclairville does not have a justice court.

Although the towns could choose to retain only a single justice, the transactional nature of the position suggests that a single justice would have to increase hours

sufficiently to cover the work of the second town. And as the justices already share a clerk, this report assumes no change in the structure of the courts or in the cost of the justice function. With benefits, the combined cost of the justice function is about \$62,000 currently.

Public Works

Combined spending on public works (including both town highway departments and the village public works department) totaled about \$1.8 million in 2015-16.

Public Works Spending (\$1000)

Personal Service	\$491
Contractual Services	\$584
Capital Spending	\$516
<u>Employee Benefits (est)</u>	<u>\$204</u>
TOTAL	\$1,795

Each department employ 5 full time staff members (4 plus the superintendents) and spends an additional \$600,000 for contractual services. Wages paid to the Gerry staff are higher although benefits to the unionized Charlotte workers are higher. The highway superintendents concurred that a "harmonization" of wages and benefits between the two staffs would leave the average cost per worker nearly the same after merger as before.

Possible savings

As is the case in many rural towns, both highway superintendents are "working" chiefs who participate in the ongoing work of the departments. The elimination of one superintendent would not necessarily result in the elimination of a position, although the replacement position would be at a lower rate of pay. In addition, an increase in scale through merger, combined with access to a modern maintenance facility (see below) and some productive sharing of maintenance tasks with the Cassadaga Valley Central School District (see below) is likely to improve efficiency and reduce the need for contractual expense.

A single highway superintendent could be expected to identify efficiencies over time, although "first year" savings are lower. This plan assumes that annual staffing cost would be reduced to 85% of current spending after 5 years have elapsed. With benefits included, this sums to annual savings of about \$104,000.

A merged department can also be expected to reduce its dependence on contractual services. Again, we have assumed that spending on contractual services falls to 85% of the current \$584,000 in the first year of the merged department, savings of \$88,000.

Although a good collaborative relationship between the two towns has fostered a ready willingness to share capital equipment, a merger would still reduce the need for the redundancy that public works directors seek. The rate of replacement of major equipment will slow, particularly in the early years when the equipment inventories are being combined. Assuming a 15% reduction in capital equipment purchases beginning in the first year would save an additional \$70,000 annually.

Fire Protection

Fire protection services are currently provided to the residents of the towns by the Gerry Volunteer Fire Company and the Village of Sinclairville Fire Department. The Sinclairville department serves all of Charlotte and a portion of Gerry. The Gerry company serves the rest of the Town of Gerry.

As there is no overlap in responsibility and no merger anticipated, the cost will remain the same, although the legal organization of the Sinclairville department will change. Its services to the village become part of a contractual relationship with the new Gerry-Charlotte town.

Other services

The remainder of the combined town and village budgets is devoted to services that are, if not already combined, likely to continue at the same level after merger.

- The \$76,000 spent on Culture and Recreation and Community Services, includes \$27,000 for youth recreation, \$25,000 for the Sinclairville Free Library, about \$12,000 for senior services, almost \$6,000 for celebrations and other miscellaneous expenses. The newly-constituted Town Board may have different priorities but a significant reduction in spending seems unlikely.
- Planning/zoning/inspection/assessment services are provided jointly now. Although the new Town Board could make changes, there is no reason to believe that these changes would have any impact on the cost of local government.

Services to property: Water, sanitation, sidewalk maintenance and lighting

The Village of Sinclairville contracts for the collection of refuse but the towns do not. A dissolution plan must specify whether Sinclairville residents will contract directly with a waste hauler for collection services or if the new town will create a special district for village properties and continue the current practice.

Sinclairville also supplies fresh water to its properties through a well and distribution system. The new town will likely create a special district to continue providing water. The 2015-16 cost of the water system was \$56,000, a sum that was more than offset by water fees.

Sidewalks in the Village of Sinclairville are maintained and plowed by the village. This service can be continued through the formation of a special district or discontinued with responsibility for sidewalks turned over the property owners.

Finally, all three municipalities provide some form of lighting. Gerry has a lighting district for the hamlet of Gerry; a lighting district should probably be established for the properties now in the village; Charlotte also has lighting expenses (DISTRICT?)

Debt service

None of the three municipalities report indebtedness.

Will Merging Lower Taxes?

“Steady state” annual savings from merging are expected to be about \$278,000. Assuming that the public works savings grow at 20% per year in the first five years while administrative savings occur right away, CGR estimates the net present value of savings at about \$3 million (discounting at 2%).

Property tax rates

Working from data published by NYS Department of Taxation & Finance, Office of Real Property Tax Services (ORPTS), the full value real property tax rate for levy year 2015 was \$8.39/\$1,000 FV for Charlotte and \$6.24/\$1,000 FV for Gerry.

The Town of Charlotte’s finances will be substantially improved through its participation in a major windfarm development. If this moves forward as planned, the host community agreement for an estimated 50 mW of generation will increase town revenue by a quarter. The development is likely to begin operation in late 2020.

Tax consequences of merging without management changes or state aid increase

On a consolidated basis, the property tax rate required to raise the summed town and village real property tax levies would have been \$8.32/\$1,000 FV. Village residents would see a substantial reduction in property tax liability; Charlotte residents would see their tax bills stay roughly unchanged; Gerry taxpayers would pay somewhat more.

Tax consequences of merging with management changes, without state aid increase

The consolidated tax levy would fall from about \$1.22 million to \$0.94 million by year five, assuming the management changes noted above. The combined property tax levy would fall to \$6.43/\$1,000 full value. All Charlotte taxpayers would see a property tax reduction; Gerry taxpayers would see a slight increase.

Tax consequences of merging with management changes and the Citizens Empowerment Tax Credit

The CETC, calculated simply on the merger of the two towns, would total about \$159,000 per year. If the merged town subsequently absorbed the dissolved village, a second payment totaling \$182,000 could be expected.

With the town-only portion, the consolidated property tax rate would fall to \$5.34/\$1,000 FV. Were both CETC payments received (\$341,000), the consolidated tax rate would fall to \$4.09/\$1,000 FV.

The Facility Challenge

The three municipality merger cannot occur within the existing structures. Both Gerry and Charlotte are space-constrained already. The Village of Sinclairville shares space with the Town of Charlotte. The town highway garages are adequate for current use but have no excess capacity.

The opportunity to build a new, joint facility on the campus of the Cassadaga Valley Central School on Route 60 has been favorably received by the municipal and school superintendent. The location—in Gerry just south of the boundary with Charlotte—would be efficient for the delivery of highway services and be a recognizable location for the combined town's residents.

Potential shared services with the school district

- Shared garage/maintenance facility
- Possible "back office" sharing, including tax collection by towns on behalf of school district

The design, configuration and cost of the proposed joint facility was discussed by the three parties, although no firm decision was made in light of uncertain funding.

Interest on the part of the school district's Board of Education was mixed, with several members of the Board of Education expressing concern about the implications of using school district property for a consolidated maintenance facility.

Conclusion

Funding for the Proposed Three Way Merger

The Gerry-Charlotte-Sinclairville merger, including the maintenance facility to be shared with the school district, featured prominently in Chautauqua County's Municipal Consolidation and Efficiency Plan submitted to the NYS countywide shared services plan. While well-received by the NYS Department of State, the Town of Brookhaven in Suffolk County won the prize.

Towns Cease Merger Deliberations

Without additional support forthcoming from the State of New York, neither town board chose to approve a final plan for public release and comment.

Interest in the dissolution of the Village of Sinclairville continues among a group of citizens, although the village board has not passed a resolution in support.