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July 20, 2012

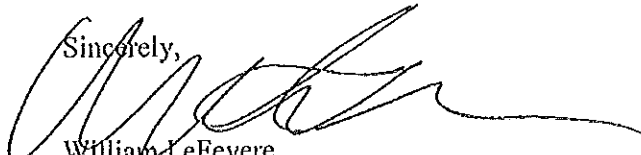
Mr. Kevin O'Brien, P.S.
Office of Land Survey and Remonumentation
State Boundary Commission
P.O. Box 30254
Lansing, Michigan 48909

RE: State Boundary Commission Docket #11-1-C Allegan County

Dear Mr. O'Brien:

Enclosed for inclusion in the public record for Docket #11-1-C Allegan County please find documentation that I referenced as part of my verbal comments during the June 20, 2012 public hearing at the Saugatuck High School. In addition, I have enclosed the current contracts for our two employee unions: Police Officers and Department of Public Works, as well as the Intergovernmental Agreements that created the Police Commission and the Harbor Authority.

Sincerely,



William LeFevre
City Manager

Enclosures:

- *Collective Bargaining Agreement between the City of the Village of Douglas and Michigan AFSCME Council 25
- *Collective Bargaining Agreement between the City of the Village of Douglas and the Police Officers Labor Council
- *Mackinaw Center Article: Michigan Consolidation: Saving Money or Growing Government, by C. Jarrett Dieterle, August 4, 2011
 - *Rutgers University School of Public Affairs Literature Review and Analysis Related to Municipal Government Consolidation
 - *The Future of Government Consolidation in Upstate New York, June 2005
- *Senate Fiscal Agency Report: Local Government Consolidation Assessing the Evidence for Cost Savings and Economic Improvement, Eric Scorsone, Summer 2010
- *Intergovernmental Police Services Agreement
- *Act 7 Interlocal Cooperation Agreement creating the Kalamazoo Lake Harbor Authority

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State Notes

TOPICS OF LEGISLATIVE INTEREST

Summer 2010



Local Government Consolidation: Assessing the Evidence for Cost Savings and Economic Improvement

By Eric Scorsone, Senior Economist

"Encouraging, and if need be requiring, local units of government and school districts to share or consolidate administrative services and deliver them more cost effectively. Michigan has more than 1,800 local units of government and 553 school districts, another 230 charters, and 57 intermediate school districts." Governor's Emergency Financial Advisory Panel 2007 Report

"Facilitate and provide incentives for sharing of services (vertical and horizontal integration) and/or consolidation across local units of government" Legislative Commission on Governmental Efficiency 2009 Report

These statements and many others continue to bring to the fore the issue of government efficiency, cost savings, and the number of units of local government in Michigan. Since the release of the report of the Legislative Commission on Governmental Efficiency and certainly far before that as well, there has been much talk of the policy idea of the merger or consolidation of local governments in the State. This policy idea is most often discussed today in the context of addressing the severe fiscal stress on local governments brought on by falling revenue sharing, loss of population, and declining property tax revenue. This paper explores the possible costs and benefits of such a policy option by reviewing the existing evidence on local government consolidation from other states and countries.

As a reform idea, one of the central goals of intergovernmental cooperation and consolidation is the restructuring of government services in order to reduce costs or slow the growth rate of costs while still maintaining a reasonable level of service capacity and quality. Generally, in the case of a situation of fiscal stress, governments are faced with the uncomfortable choice of cutting services (and costs) or raising taxes and fees. Intergovernmental cooperation and consolidation, among other reforms, attempt to cut this knot by restructuring services and operations to maintain capacity while reducing costs.

In short, one policy question is whether a more fragmented state with a greater number and complexity of local government units will be more expensive and costly compared with a state with fewer units of local government. The issue of cost and efficiency can be subdivided into two questions: 1) the impact of political consolidation or a reduction in the number of units of local government on cost, and 2) the impact of specific service cooperation and consolidation on cost.

However, cost may not be the only issue. Another prominent rationale behind local government consolidation is that the economy will be better in a less fragmented region or state compared with a more fragmented one. This third policy question relies on the assumption that a less fragmented region or state will be more efficient, resulting in a better business climate and improved economic performance. This article attempts to assess the evidence regarding these three policy questions.

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Michigan's Local Government System

Before assessing the evidence, it is useful to map the local government system in Michigan. Michigan has what is known as a two-tier system of local governance. One tier is county government which is generally responsible for courts, prosecutor and public defender offices, public health, sheriff and jail operations, drain commission, property equalization, county roads, and a variety of other tasks. In the second tier lie the cities, villages, and townships. Cities and townships are mutually exclusive units while villages overlap with townships. Cities, townships, and villages are generally responsible for water and sewer services, police and fire protection, property tax collection and assessment, urban roads and streets, parks, and other items. Michigan residents live in a county and either reside in a city, township, or village (township) combination. Counties, cities, villages, and townships are known as general purpose governments because they provide a wide range of services.

There is a third hybrid form of local governance which is known as the special district government. Excluding schools, which are special district governments also; these entities are established by general purpose governments to provide a specific service such as a water or sewer authority, fire authority, library district, or recreation authority, among other options. Technically, they are part of the second tier of governmental units but function only for that specific purpose. In Michigan, almost all special districts are governed by a board appointed by one or more general purpose governments. In many cases, special district governments are the key mechanism through which intergovernmental cooperation is achieved for a specific service.

In raw numbers looking across these tiers, Michigan does contain a large number of local government units.¹ Based on those raw numbers, Michigan ranks 14th among all states with 2,314 local government units (see [Table 1](#).) The number of Michigan special districts has grown over the past few decades, albeit at a slower rate than many other states.

Table 1

Local Units of Government in Michigan	
Type of Government	Number
County Government	83
City/Village Governments	533
Township Governments	1,242
Special District Governments	456
Total	2,314

Source: 2007 Census of Governments

Local Governments and Spending Across the States

The first policy question to address is whether reducing the number of local governments will slow the growth rate of spending in this sector. In terms of spending per person, the best approach is a state-by-state comparison across all types of local units of government. Using this approach, Michigan ranks 14th among all states based on the 2007 Census of

¹ For purposes of the analysis presented here, school districts are excluded due to their special nature and funding sources.

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Governments (see Table 2). This ranking translates into \$4,609 per person. Of course, this is an average and would vary widely depending on where a person lived and worked. New York State is the highest spender with an average per capita local government spending rate of \$7,996 and the lowest is Hawaii with a per capita spending rate of \$1,896. The average for all states is \$4,253 per person.

As shown in Table 2, there is no clear relationship between spending per person and total number of local governments or number of persons per local government. New York has the highest spending per person of any state. Of course, this information is skewed potentially by the inclusion of New York City, which is unique in the scope of its services. Meanwhile, Illinois spends only half as much as New York on local government and has more than twice the number of local units of government, including the City of Chicago. The basic problem with these national comparisons is the difference in the scope of service responsibilities and taxing authority given to local governments. A better approach may be to compare similar states, such as those from the Midwest or Great Lakes region, which is what we turn to next.

Table 2
Local Governments and Spending Across States

State	# of Local Units	Persons Per Local Government	Population	Local Spending Per Person
New York	2,918	6,697	19,541,453	\$7,996.30
Wyoming	1,153	472	544,270	\$6,895.89
California	6,574	5,622	36,961,664	\$6,688.23
Nebraska	2,876	625	1,796,619	\$6,003.40
Alaska	1,189	587	698,473	\$5,506.45
Florida	2,197	8,438	18,537,969	\$5,153.53
Washington	2,754	2,420	6,664,195	\$5,119.87
Colorado	3,988	1,260	5,024,748	\$5,034.85
Minnesota	3,185	1,653	5,266,214	\$4,966.83
Nevada	309	8,554	2,643,085	\$4,952.47
Illinois	6,082	2,123	12,910,409	\$4,914.37
New Jersey	1,043	8,349	8,707,739	\$4,830.44
Tennessee	964	6,531	6,296,254	\$4,802.50
Michigan	2,314	4,308	9,969,727	\$4,609.26

Source: 2007 Census of Governments

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Table 3 shows that Michigan has the fewest number of local government units in the Great Lakes region². In contrast, Illinois has the highest number with 6,082 local government units. Illinois has a large number due to its extensive use of special district governments. In fact, Illinois is ranked first among all states for the number of local units of government. These raw numbers, however, may be deceptive. More importantly, related to the question posed at the beginning of this article, is there a relationship between number of units of local government and per-person spending?

In fact, as Table 3 reveals, there is no clear relationship between those two variables. Illinois, with many local units of government, spends nearly the same as Michigan, with the fewest local units. The number of local governments does not appear to make a significant difference on spending per person. For example, the state of Illinois has almost 7,000 governments compared with fewer than 3,000 in the State of Michigan. Illinois has such a high number due to the extensive use of special districts compared to Michigan. Again, the evidence does not seem to suggest that there is a strong relationship between number of local units of government and spending per person.

Table 3

Total Local Units of Government for select Midwestern States		
State	# of Local Governments	Local Government Spending Per Person
Illinois	6,082	\$4,914
Michigan	2,314	\$4,609
Ohio	3,034	\$4,521
Wisconsin	2,679	\$4,508
Pennsylvania	4,356	\$4,417
Indiana	2,939	\$4,074
Minnesota	3,185	\$4,976

Source: 2007 Census of Governments

Looking across these Midwestern states, all of which have a similar governmental structure and system, per-person spending is nearly identical considering the wide variation in the number of local government units. This evidence at least throws into question the assumption

² According to a widely used measure of state-local centralization, Michigan ranks as a more decentralized state, which is termed a "local services" state. The general categories range from centralized to decentralized. A state like Hawaii is classified as highly centralized and this matches its ranking as the lowest spending state per person on local government. On the other side, New York is the highest spending state on local government and is also classified as the most decentralized state. Michigan looks more like New York than Hawaii. Other Midwest states are ranked as more balanced such as Illinois, Ohio, Indiana, Minnesota, and Wisconsin. Given that the Midwest states all cluster around being balanced or more decentralized, it would appear that a comparison of local government spending per person is a relatively fair comparison. A different approach to assessing government fragmentation was developed by David Miller of the University of Pittsburgh called the Metropolitan Power Diffusion Index (MPDI). According to this index, the Detroit Metropolitan Area did rank highly, eighth among all metropolitan areas, in terms of fragmentation. However, for the State as whole, Michigan did not even rank in the top 15 for degree of local government fragmentation.

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that local government consolidation is likely to result in lower spending or cost savings. Other evidence and more detailed analysis is required to test the assertion that consolidation will result in the outcomes posited.

Intergovernmental Cooperation and Consolidation in Michigan: A Policy Analysis

Having reviewed the overall structure of local government in Michigan and across a variety of other states, a more detailed investigation of individual government services may be constructive. A second policy question is whether, via consolidation or intergovernmental cooperation of specific governmental services, Michigan could reduce the growth rate or actually reduce this per-person spending number. From an economic benefit cost analysis perspective, the second and related question is whether there are policies that are more cost effective in achieving this same outcome. In other words, would alternative policies achieve cost savings in a more efficient or effective manner? The next best alternative would be the internal restructuring of government agencies by a unit of government to reduce costs and improve efficiency. Such activities might include streamlining, adopting lean management strategies, and other changes.

To this point, the evidence seems to point to the fact that a policy of local government consolidation may not be effective in reducing or slowing the growth rate of governmental costs. However, local governments are not monolithic; in fact, they provide a wide variety of services that vary across the types of governmental units. Each of these services presents a different profile and some services may present input opportunities for consolidation and cost reduction. Table 4 provides a brief summary of the types of services delivered by local governments based on spending patterns.

Table 4
Local Government Spending by Category 2007
 (Dollars in Millions)

Service Categories	Local Govt. Spending
General Government.....	\$2,187
Social Welfare	4,635
Education and Libraries	529
Transportation	2,761
Public Safety	3,768
Environment and Housing (including sewer)	3,788
Utility and Transit	3,402
Total.....	\$25,601

Source: 2007 Census of Governments

It should be noted that the criteria upon which one judges the potential benefits of government consolidation must be clarified. Efficiency is generally defined as an improvement in the productivity of government operations as producing more outputs or outcomes from the same amount of input. Efficiency refers to doing an existing task better. Effectiveness is defined as whether the right set of governmental services or tasks are being performed.

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Further, in thinking about governmental consolidation, it is useful to divide up government operations into categories. Labor-intensive services are those that require more human input as opposed to the use of capital and technology. For example, while technology has enhanced the ability of police personnel to combat crime, it remains necessary under many best practice strategies to employ police officers. In the case of the fire department, a greater use of capital and technology has complemented the protection of property and people. Thus, some services may be characterized as capital intensive. Finally, some services may require a skill or human capital intensive element to them. This for example could include information technology operations, financial operations, property assessment, some police and fire investigation services, and the prosecutor's office. These services require a high degree of training and education.

For labor-intensive services, the evidence suggests that it is difficult to merge and improve efficiency of these operations. In fact, 2009 Nobel Laureate in Economics Elinor Ostrom found in her work that smaller police operations were more efficient than larger police operations (Ostrom, 2009). The reason behind these findings is that an expansion of population is not likely to result in the ability to reduce numbers of employees without directly reducing service quantity or quality by its very nature. These types of services might include police patrol, some general government or city hall functions, code compliance, and similar activities. One caveat to this finding is that any specific local government may be operating inefficiently and a consolidation may result in improvements. However, this change also could be achieved by internal restructuring in some cases.

For capital-intensive services, it is often presumed that a local government consolidation or cooperative effort will result in cost savings. Cost savings may occur due to enhanced purchasing power through bulk purchasing. Of course, in this case, the issue is whether the units of local government purchase the same types of equipment or materials to achieve bulk purchasing power. Another source of cost savings in the case of capital intensive services may be the better use of existing equipment or technology. Two units of local government may both have fire apparatus that are underused and better utilized in a larger jurisdiction. These services include fire suppression, information technology and geographic information system (GIS), water and sewer services, road maintenance, and others.

For skill-intensive services, it may be useful to consolidate across governmental units due to underutilization based on workload in any governmental unit. For example, a court administrator or information technology expert in one jurisdiction may be underutilized based on caseload analysis and it makes sense to combine court personnel. These types of skill-based sharing arrangements are already beginning to occur across local jurisdictions both in terms of personnel and equipment and capital. These services might include high level property assessors, information technology and GIS personnel, librarians, court officials and judges, financial officials, and others.

Thus, in the arena of intergovernmental consolidation of specific services, local and state government policy makers may find it advantageous to address these issues and reduce costs and improve effectiveness. Michigan has certain policies that continue to raise the transaction costs of intergovernmental cooperation activities. At a minimum, it is likely to be

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a better strategy for local governments to pursue service specific arrangements before considering political consolidation.

Local Government Consolidation and Economic Development

A third policy question is whether a consolidated form of government, whether a metro-type government or simply the consolidation or a more intensive degree of regional cooperation, may result in a higher level of economic performance. Feiock and Carr (1997) found that the Jacksonville/Duval County merger did not result in improved economic outcomes. Savitch and Vogel (2010) found that, after several years, the Louisville/Jefferson County merger has not resulted in an economic improvement. Based on the available evidence, local government consolidation does not appear to boost a local economy. Contrary to these studies, there is evidence that the economy of Indianapolis performed better following consolidation. The evidence for or against improvement in a local economy is unclear at this time.

A Successful Consolidation: Iron River, Michigan

The case of Iron River, Michigan is an example where local government consolidation has apparently worked, at least five years after the fact. The feasibility analysis indicated that Iron River, post consolidation, should be able to save significant dollars. In fact, research has shown, five years later, that this consolidation did in fact result in lower costs on a per-person basis (Scorsone and Martin, 2010). The economic development outcomes are unclear in this case. Therefore, as stated above, while the burden of evidence may suggest that local government consolidation will perhaps not produce improvements in cost or efficiency, there are certainly cases where it may work.

Despite the success of Iron River, Michigan, the question remains as to the most cost-effective policy needed in order to reduce governmental expenses over time. A policy of intergovernmental government or consolidation should be compared with other alternatives such as internal restructuring or the shifting of services between tiers of government. At this time, very little evidence exists as to the relative effectiveness of these policies. This remains an arena for expanded investigation and research.

Summary and Conclusion

Local governments in Michigan face a severe fiscal crisis following the Great Recession of 2008-2009. Property tax revenue is depressed and likely to continue falling for several years into the future. State revenue sharing has been cut significantly and local option taxes remain highly restricted. Personnel expenditures, particularly those related to health care, continue to rise, creating structural budget deficits. In this fiscal environment, major reforms and restructuring are likely to be ongoing topics of policy discussions. One option is to simply raise taxes; another is to cut spending and reduce services. Beyond those two options, local governments and State policymakers face the challenge of identifying reforms that may be able to reduce costs while still maintaining public services provided. Intergovernmental cooperation and consolidation is one of those reforms.

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The evidence presented here suggests that there are significant challenges in using the policy reform of intergovernmental cooperation and consolidation in attaining cost efficiency. In her 2009 Nobel speech, Elinor Ostrom stated, "Complexity is not the same as chaos" in reference to her own work regarding the relationship between local government structure and the efficiency and effectiveness of services. It would be wrong to argue that evidence presented here states that there is never a case for local government consolidation or cooperation. In fact, given the diversity across places and local governments, one should always proceed with a careful analysis of the costs and benefits of local government consolidation or cooperation in that particular case. Some cases will find significant benefits from consolidation; others will find the case for consolidation wanting.

A word of caution is in order in assessing the feasibility of local government consolidation or cooperation. It is relatively straightforward to generally demonstrate that two local government entities -- for example, a contiguous township and city -- can be shown to have duplicative positions and equipment. A proposed merger could eliminate these duplicative activities and positions and lead to lower costs and perhaps lower millage rates. The problem lies in the notion of "feasible". The evidence collected here does at least reveal that the implementation of a local government consolidation or intergovernmental cooperative effort is often very different than the proposed changes. Feasibility studies must be challenged to assess the likelihood that their actual proposals and plans will be carried out and maintained by administrators and elected officials over time.

References

Carr, Jered and Richard Feiock. "A Reassessment of City/county Consolidation and Economic Development Impacts" *State and Local Government Review*, Fall 1997.

Ostrom, Elinor. "Beyond Markets and States: Polycentric Governance of Complex Economic Systems" Nobel Lecture Dec 12th, 2009.

Savitch, H.V. and Richard Vogel. "Beyond the Rhetoric" *American Review of Public Administration* Vol. 40, No. 1 (2010).

Scorsone, Eric and Joseph Martin. "Cost Ramification of Municipal Consolidation: A Comparative Analysis" *Journal of Public Budgeting, Accounting and Financial Management* (Forthcoming, 2010)

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JUL 20 2012

INTERGOVERNMENTAL POLICE SERVICES AGREEMENT
~~OFFICE OF LAND SURVEY &~~
REMONUMENTATION

THIS AGREEMENT entered into this 1st day of May, 1998, by and between:

<u>Name</u>	<u>Address</u>
VILLAGE OF DOUGLAS a general law village "Douglas"; and	Village Hall 47 West Center Street Douglas, MI 49406
CITY OF SAUGATUCK a municipal corporation "Saugatuck"	City Hall 102 Butler Street Saugatuck, MI 49453

RECITALS

Douglas and Saugatuck are each incorporated municipalities pursuant to the statutes of the State of Michigan (Douglas as a General Law Village and Saugatuck as a Municipal Corporation) and each desires to provide public safety, police and emergency services to their inhabitants and also to provide for the protection of property (the "police services").

Each municipal corporation has furnished police services to the inhabitants and businesses in their respective units of government and now intends to consolidate their respective police services into the Saugatuck/Douglas Police Department to be administered according to this agreement.

Public Act 25 of 1951, as amended, being MCL 124.1, concerning governmental contracts between municipal corporations; and Public Act 8, of 1967 (Ex. Sess.) as amended, being MCL 124.531, concerning Intergovernmental Transfers of Functions and Responsibilities, provides authority to Saugatuck and Douglas to contract to provide cooperative intergovernmental police services to both municipalities.

NOW THEREFORE, Saugatuck and Douglas, in consideration of the mutual undertakings provided for in this Agreement, agree as follows:

1. General Agreement. Saugatuck and Douglas agree to provide police services on the terms and conditions stated in this Agreement, and both agree to receive their police services from the Saugatuck/Douglas Police Department as provided in the Agreement.

2. Definition of Terms. For the purpose of this Agreement, the terms in this section shall have the meanings given to them.

(a) "Contract Year" means a twelve (12) month period during which police services are to be rendered to each municipal corporation. The contract year shall commence on July 1 and terminate on the next June 30.

(b) "Fiscal Year" means a twelve (12) month period during which receipts and expenses for police services are provided for in a budget. The fiscal year shall commence on July 1 and terminate on the next June 30.

(c) "Contracting Municipalities" means the two municipal corporations which are parties to this Contract or a similar contract which by it is interrelated with this Contract for the purposes of determining the total cost for the contracting municipalities, which are the Village of Douglas and the City of Saugatuck.

(d) Saugatuck/Douglas Police Budget shall include all preliminary, estimated and actual costs of operating the intergovernmental Police Department for a given contract year, including but not limited to:

(1) Police Officer overhead expenses including all salaries, fringe benefits, overtime, FICA, all insurance costs including health, liability and accident, holiday pay, unemployment benefits paid, wearing apparel and officer equipment, education and training.

(2) Operating expenses, including all costs of equipment and apparatus acquisition, including vehicles and maintenance, utilities, telephone service, gasoline and oil for vehicles and books and periodicals.

(3) All other expenses normally and reasonably incidental to the operating of a police department, including police liability insurance.

(4) The Saugatuck/Douglas Police Budget to be utilized commencing July 1, 1998 to June 30, 1999 is attached, utilizing current year budgets plus inflation, as developed and approved by the Joint Police Commission.

3. Police Services Designation. The designation "Saugatuck/Douglas Police Department" shall be affixed by appropriate paint or decal sticker to the sides of all police cars used by the Saugatuck/Douglas Police Department under the terms of this Agreement and the designation of "Saugatuck/Douglas Police Department" shall be inserted in the appropriate telephone directories as may be distributed in the municipal corporations.

4. Level of Services.

(a) The level of police services rendered to each municipal corporation shall be 24 hour coverage with a minimum of two officers.

(b) A list of the names of all existing police officers and personnel from both communities to be employed for the police services of the Saugatuck/Douglas Police Department, a description of their titles, duties and salaries, as of July 1, 1998, will be maintained.

5. Administrative Responsibility. The law enforcement services rendered to each municipal corporation shall be administered by Douglas, subject to consultation with the Joint Police Commission as described in Section 6. Any disputes concerning the extent of functions and duties to be rendered hereunder, or the level or manner of performance of such police service, shall be resolved by the Village Manager of Douglas. The Douglas Village Manager shall submit to both municipal corporations a monthly report of police activities/services rendered to each municipal corporation as well as a financial report and suggestions regarding any changes in the provision of police services that may be helpful.

6. Joint Police Commission. Each municipal corporation shall appoint three (3) members to a Joint Police Commission on July 1st of each contract year and the name of each appointee shall be furnished to the chief administrative employee of each municipal corporation. These members shall be two (2) elected Council representatives appointed annually by their respective Council and the Village/City Manager from each municipal corporation. The Joint Police Commission shall elect a Chairman, Vice-Chairman and Secretary and meet periodically as determined from time to time by them, but not less than quarterly, to review and make recommendations and receive information on matters reviewed by such Commission members, including budget proposals to the administrator and the respective Councils of the municipal corporations. The Joint Police Commission shall adopt its own rules of procedure subject to approval of the respective Councils, and shall keep a record of its meetings, which record shall be a public record. The Joint Police Commission shall review and recommend an annual operating budget for consideration by each municipal corporation. In the event agreement cannot be reached on an item of business at the Joint Police Commission, the matter will be referred to the respective Councils for resolution. An interim Joint Police Commission shall be appointed for the period May 1, 1998 through June 30, 1998.

7. Officers, Employees of Douglas.

(a) All personnel of the Saugatuck/Douglas Police Department, including the Police Chief, shall be employees of the Village of Douglas for the duration of this Contract, and only for the duration of this Contract. For administrative purposes, Douglas shall assume all obligations with regard to training, administration of police policies, workers compensation, withholding tax and insurance and other employee costs in the Police Budget with respect to such officers. Former Saugatuck personnel employed by the Saugatuck/Douglas Police Department shall retain and accumulate tenure as Saugatuck employees while so employed. Such employees as are necessary for the operation of the Saugatuck/Douglas Police Department shall be transferred to and appointed as employees of Douglas, subject to all rights and benefits. These employees shall be given seniority credits and sick leave, vacation, insurance and pension credits in accordance with the records or labor agreements from the City of Saugatuck. Members and beneficiaries of any pension or retirement system or other benefits established by the City of Saugatuck shall continue to have rights, privileges, benefits, obligations and status with respect to such established system. Douglas shall assume the obligations of Saugatuck with regard to wages, salaries, hours, working conditions, sick leave, health and welfare and pension or retirement provisions for employees. If any employees of Saugatuck are not guaranteed sick leave, health and welfare and pension or retirement pay based on seniority, Douglas shall not be required to provide these benefits retroactively. No employee who is transferred to a position with Douglas shall by reason of such transfer be placed in any worse position with respect to workmen's compensation, pension, seniority, wages, sick leave, vacation, health and welfare insurance or any other benefits that he or she enjoyed as an employee of Saugatuck.

(b) Upon non-renewal or termination of this Agreement, Saugatuck shall have the right, subject to compliance with applicable federal, state and local laws, to retain police officers who were previously employed as police officers of Saugatuck but transferred to and appointed as employees of Douglas pursuant to this Agreement.

8. Enforcement of Policies. The enforcement of policies to be addressed by the Saugatuck/Douglas Police Department in each municipal corporation shall be provided in writing to the Joint Police Commission.

9. Enforcement of Ordinances. Saugatuck/Douglas Police Department officers shall enforce the Ordinances of each municipal corporation.

10. Ordinance Fines/Revenues. All fines and revenues generated by the enforcement of Ordinances of Saugatuck and Douglas shall be returned to the municipality in which they originated.

11. All Officers to be Deputized. All police officers shall be authorized to enforce the ordinances, regulations and laws of each municipal corporation by proper action to be taken by the Council of each such municipal corporation.

12. Offenses. All offenses shall be charged in accordance with the ordinances of the municipal corporation in which the offense occurred in each case possible, otherwise, the charge shall be made in accordance with the laws of the State of Michigan or the laws of the Federal Government.

13. Renewal, Non-renewal and Termination.

(a) This Agreement shall remain in full force and effect from May 1, 1998, until June 30, 1999, and shall be automatically renewed annually thereafter, for each successive contract year, unless not renewed by either party by serving a notice of intent not to renew upon the clerk of both municipal corporations before March first of the current contract year.

(b) This Agreement may be terminated at any time by joint action of both parties, or by Saugatuck or Douglas not less than one year after its notice thereof in writing to the other party of its intention to terminate.

(c) In the event that this Agreement is not renewed or is terminated by joint action or notice with or without cause, Saugatuck agrees to indemnify Douglas on a pro-rata basis for any of the extraordinary costs incurred by or within the Saugatuck/Douglas Police Department on account of such non-renewal or termination; said costs shall include, but are not limited to, unemployment benefits paid because of the need to lay off existing police department personnel and the sale of squad cars, occasioned by the need to reduce overhead because of non-renewal or termination of this Agreement. Extraordinary costs shall not include the costs of day to day operations of the Saugatuck/Douglas Police Department. Provided, however, that no such costs shall be imposed unless and until the parties hereto have met with the Joint Police Commission, such costs have been mutually reviewed, and a majority of the Commission has recommended that such costs are valid. In the event that parties are unable to reach agreement, the matter shall be submitted to the Allegan County Circuit Court by complaint of either Municipal Corporation for a determination of "extraordinary costs" incurred by Douglas upon the non-renewal or termination of this Agreement.

(d) Upon non-renewal or termination by joint action or notice, equipment and material originally contributed by Saugatuck and utilized or held by the Saugatuck/Douglas Police Department shall be returned to Saugatuck. Likewise, equipment and material originally contributed by Douglas and still utilized and held by the Saugatuck/Douglas Police Department shall be returned to Douglas.

(e) Upon notice of non-renewal or termination by Saugatuck, Douglas shall have the first option to purchase equipment and material being disposed of by the Saugatuck/Douglas Police Department, to the extent such equipment and material is not governed by (d) above. The purchase price, as determined by mutual agreement or appraisal, for Douglas's acquisition of such equipment and material shall be adjusted to reflect the percentage of the annual budget of the Saugatuck/Douglas Police Department which has been contributed by Douglas in the year of original purchase.

(f) Upon notice of non-renewal or termination by Douglas, Saugatuck shall have the first option to purchase equipment and material being disposed of by the Saugatuck/Douglas Police Department, to the extent such equipment and material is not governed by (d). The purchase price as determined by mutual agreement or appraisal for Saugatuck's acquisition of such equipment and material shall be adjusted to reflect the percentage of the annual budget of the Saugatuck/Douglas Police Department which has been contributed by Saugatuck in the year of original purchase of such equipment and material.

(g) Upon non-renewal or termination, to the extent equipment and material being disposed of by the Saugatuck/Douglas Police Department is not governed by (d), (e) or (f) above, the equipment and material shall be sold or otherwise disposed of by the Saugatuck/Douglas Police Department, and the proceeds from such sale or other disposal, together with any fund balance remaining, shall be split between Saugatuck and Douglas according to the percentage of the annual budget of the Saugatuck/Douglas Police Department which has been contributed by Saugatuck and Douglas, respectively, averaged over the life of the contract.

(h) A copy of this completed agreement shall be filed with the Secretary of State of the State of Michigan as required by Michigan Statute (MCLA 124.533(c); MSA 5.4087(3)) .

14. Communications, Equipment and Supplies.

(a) The Saugatuck/Douglas Police Department shall furnish communication equipment necessary to perform the services which are to be rendered. The Saugatuck/Douglas Police Department shall provide the necessary equipment and vehicles.

(b) Each municipal corporation shall make available to the Saugatuck/Douglas Police Department all equipment and assets presently used to provide services. Such equipment and assets shall be maintained by the Saugatuck/Douglas Police Department. When such equipment and assets become outdated or unusable, it shall be returned to the contributing municipal corporation. Thereafter, the Saugatuck/Douglas Police budget shall include the costs of necessary replacements. A list of the Saugatuck and Douglas assets to be utilized by Douglas as of the commencement of this Agreement is attached as Schedule _____.

15. Cooperation and Assistance. The municipal corporations have entered into this Agreement for the purpose of providing better police services to the citizens of the respective municipalities of Saugatuck and Douglas and shall have full cooperation and assistance from each other's officers, agents and employees.

16. Headquarters. Headquarters for the services rendered to each municipality under the Agreement shall be located at offices recommended by the Joint Police Commission and the citizens of Saugatuck or Douglas shall notify headquarters, or radio dispatch for services requested, either in person or by some other means of communication. Services shall be rendered to each municipal corporation on a twenty-four (24) hour basis. Douglas shall provide office space in its existing department for use of the Saugatuck/Douglas combined department. Separate desks, telephones and other equipment shall be provided to the police in the performance of their police service duties.

17. Police Service Costs. Saugatuck and Douglas shall agree to the Police budget for fiscal year 1998-1999 on or before May 15, 1998. During the initial year of this agreement, Saugatuck and Douglas shall budget and pay for an amount equal to the 1997-1998 police budget for each community adjusted for inflation (Consumer Price Index), additional staffing needs, and start up costs of the combined department. Annually, a tentative Police Budget will be developed by the Village Manager of Douglas, who shall submit the tentative police budget for the upcoming fiscal year to the Joint Police Commission by January 1 of the current contract year. Commencing with the establishing of the budget for the second year of the Agreement and thereafter, the Joint Police Commission shall recommend the allocation of a percentage of responsibility for such Police Budget, utilizing a consideration of population, land area, street miles, incidents of crime, manpower, requirements and other relevant factors.

(a) By April 1 of each contract year, the Joint Police Commission shall receive, review and recommend a Police Budget for the next contract year. Each municipal corporation shall receive such recommendation by April 15 of each contract year for the next

contract year. If either municipal corporation fails to ratify such upcoming police budget by May 15, then this Agreement shall terminate as prescribed in Section 13(b) either by joint action of the parties or by a written notice of intent to terminate by one party one year prior to the date of termination.

(b) Douglas shall administer and account for all funds received and disbursed by it pursuant to this Agreement. Douglas shall establish a Police Services Fund and maintain adequate records to account for the budgeted income and expenditures; pursuant to generally accepted municipal and governmental accounting practices, consistently applied.

(c) Saugatuck shall monthly, by the first of each month, deposit in the Police Services Fund of Douglas, its monetary contribution equal to one-twelfth (1/12) of Saugatuck's share of the budgeted operating expenses for the forthcoming fiscal year. In the event the cash flow demands and expenses of the Police Service Fund require greater contribution by Saugatuck, the Joint Police Commission shall recommend such increased level of contribution to the respective municipal corporations for approval.

(d) Douglas is authorized to make all disbursements provided for in the budget.

(e) If Saugatuck breaches this Agreement by failing to pay to Douglas its monthly contribution within ten (10) days of its due date or if either party commits a material breach of this Agreement, the non-breaching party shall give the other party written notice of the alleged breach. If the breach is not cured within fifteen (15) days of receipt of said notice, then the non-breaching party may withdraw from this contract by giving written notice to the other party of its intent to withdraw and the date of its intent to withdraw, which shall be no less than ninety (90) days after service of the written notice of intent to withdraw. Sections 7(b), and 13(c) through 13(g) shall apply if a party rightfully withdraws from this Agreement.

18. Insurance. As part of the Police Budget for each contract year, Douglas shall purchase law enforcement liability insurance and automotive liability insurance in the minimal level of Five Million Dollars (\$5,000,000) per occurrence/no aggregate to insure against liability incurred in the rendering of law enforcement services to each municipal corporation. Such liability insurance shall be "occurrence" in coverage and not "claims made" unless recommended by the Joint Police Commission and approved by Douglas and Saugatuck. In addition, Douglas shall purchase automotive physical damage coverage for law enforcement vehicles. Douglas shall name Saugatuck, its officers, employees, and directors as additional insureds on the policy. Douglas and Saugatuck, individually, shall purchase and maintain public

officials liability coverage for its respective representatives appointed to the Joint Police Commission.

Annually, the Joint Police Commission shall review the minimum levels of coverage for police, automotive, and physical damage coverage, and shall recommend, as a part of the Police budget for each contract year, any increases or decreases in the levels of such insurance. In the event either Douglas or Saugatuck desires to purchase additional insurance with respect to the law enforcement services to be performed under this agreement, such additional insurance shall be included in the Police Budget for each contract year, subject to an affirmative recommendation of the Joint Police Commission, and the approval of each municipal corporation.

All insurance policies required by this paragraph shall be with insurance companies qualified under the laws of the State of Michigan to assume the risks undertaken, and may be written with deductible amounts, co-insurance features, and exceptions and exclusions comparable to those in similar policies carried with respect to law enforcement operations. On request, Douglas shall obtain and provide to Saugatuck a certificate or certificates of insurance attesting to the fact that the insurance required by this section is in full force and effect. In addition, Douglas, upon request by Saugatuck, shall furnish copies of the original insurance policies required herein. All insurance policies shall contain a provision that they are non-cancelable and not subject to material modifications by the insurer except upon 30 days written notice to the parties hereto.

19. Hold Harmless/Indemnification. In the event any liability, payment, cost, expense, or obligation (including attorneys fees, consulting fees, or expert witness fees) arising from a claim of liability (after application thereto of any insurance coverage or proceeds) ("Liability") is asserted against Saugatuck or Douglas by a third party or parties arising from the operation, use, management, control, administration, or performance of law enforcement services under the terms of this Agreement, and such Liability is not caused by the gross negligence or intentional wrongdoing by Douglas or Saugatuck, such Liability shall be shared by Douglas and Saugatuck in proportion to their respective budget allocations for the year in which the loss occurred. If either Douglas or Saugatuck is required to make any payment or incur any cost, expense, or obligation in excess of that for which it is responsible under the provisions of the preceding sentence, then either Douglas or Saugatuck making such excess payment or incurring such excess cost, expense or obligation shall be reimbursed by the other municipal corporation so that such payment, costs, expenses, and obligations are shared as provided in the immediately preceding sentence. If any liability, payment, cost, expense, or obligation, including attorneys fees, consulting fees or expert witness fees arise from the gross negligence or intentional wrongdoing on the

part of Saugatuck or Douglas, then such party, committing gross negligence or intentional wrongdoing, shall be solely responsible for such liability, payment, cost, expense, or obligation.

Under no circumstances shall this Agreement be construed to place upon Douglas any liability to Saugatuck or to any third party which is greater or different than the liabilities borne by Saugatuck if Saugatuck were providing such services through its own police department. The police chief of the Saugatuck/Douglas police department or his/her designee shall have the sole discretion as to the dispatch of officers and equipment in the performance of their duties in the ordinary course of providing police services.

It shall not be a violation of this Agreement, nor shall Douglas be held responsible to Saugatuck for any loss which may result, if the Saugatuck/Douglas Police Department, in the exercise of reasonable judgment, is unable to respond promptly or is able to respond with only limited officers and equipment, or is delayed in responding to a call by reason of answering a previous call. Nothing contained herein shall deem to hold Douglas liable to perform any of its obligations under this Agreement because of force majeure. As used in the preceding sentence, the term "force majeure" shall mean any cause beyond the reasonable control of Douglas, and which by reasonable effort Douglas is unable to overcome, including without limitation, the acts of God, strikes, lock-outs, or other labor disturbances; acts of public enemies; orders, or absence of necessary orders and permits of any kind, from the government of the United States or from the State of Michigan or any of their departments, agencies, or officials; insurrections, riots, equipment, material, supplies, labor shortages; lightning; earthquakes; fire; hurricane; tornadoes; storms; floods; washouts; explosions; sabotage; or injunction.

20. Non-Budgeted Expenditures. Each municipal corporations shall have the right to approve or disapprove any proposed capital expenditures and/or increase in the number of police officers not otherwise included in the approved Police Budget. Notice of such proposed and non-budgeted capital expenditures and/or increase in number of full time police officers, as prepared by the Joint Police Commission, shall be given in writing to each municipal corporation prior to actual expenditure for such items. Each municipal corporation shall thereafter have until their next scheduled regular or special Council meeting or fifteen(15) working days, whichever is greater, to approve or disapprove the proposal in writing. Failure to make any decision is deemed to be approval of such proposed expenditure and the cost thereof shall be included in that fiscal year's budget. In the event Saugatuck shall disapprove of any such non-budgeted capital expenditure and/or increase in the number of officers, it shall not be liable to

Douglas for any costs incurred by Douglas should the non-budgeted capital expenditure and/or increase in number of officers be made despite such disapproval.

21. Miscellaneous.

(a) The municipal corporations shall not discriminate against any employee or applicant for employment with respect to hire, tenure, terms, conditions or privileges of employment as outlined by applicable ordinance and/or federal or state statute. Breach of this covenant may be regarded as a material breach of this Agreement.

(b) This agreement, together with all addendums or items incorporated by reference, constitutes the entire agreement.

(c) This Contract may be amended by agreement of the parties in the same manner as the original contract was made. Recommendations by the Joint Police Commission shall be given serious consideration in making any amendments.

(d) There shall be no assignment or transfer, in whole or in part, of this Agreement unless mutually agreed to in writing by the parties.

(e) Any lawsuit for a breach of this Agreement shall be instituted and maintained in the court of competent jurisdiction in the County of Allegan, State of Michigan. If either party fails to comply with the terms of this Agreement, the aggrieved party may apply to the Court for relief. In the event that a party hereto wrongfully breaches this Agreement or fails to fulfill its obligations hereunder, thereby necessitating the other party to seek legal counsel and/or undertake enforcement proceedings in any Court of lawful jurisdiction, the party in non-compliance of this Agreement and/or the party prevailing in legal proceedings shall pay the reasonable attorney fees, and Court costs, if any, incurred by the aggrieved party.

(f) Any written notice provided for in this Agreement shall be by certified mail addressed to the clerk of the municipal corporation being given notice. The date of notice shall be the date of mailing.

(g) This Agreement contains the entire understanding of the parties. There are no representations, warranties, promises, covenants or undertakings, oral or otherwise, other than those expressly set forth herein.

(h) Any failure by either party to insist on full performance of any term of this Agreement does not constitute a waiver of all, or any portion of, this Agreement.

(i) This Agreement shall be governed by the laws of the State of Michigan both as to interpretation and performance.

(j) This agreement shall be approved by concurrent resolution of the governing body of each political subdivision.

(k) The terms of this Agreement shall be entered in the official journal/minutes of proceedings of the governing body of each municipal corporation.

22. Severability. Each section, part, term, and provision of this Agreement shall be considered severable. If for any reason any section, part, term or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation of a court or agency having valid jurisdiction, this determination shall not impair the operation or affect the remaining portions, sections, parts, terms, or provisions of this Agreement, and the latter will continue to be given full force and effect and bind the parties; and the invalid section, part, term, or provision shall be deemed not to be a part of this Agreement.

VILLAGE OF DOUGLAS

By: George E. Baker
President

Date: May 1, 1998

By: Barbara McVea
Clerk/Treasurer

Date: May 1, 1998

CITY OF SAUGATUCK

By: Mark E. Hill
Mayor

Date: May 1, 1998

CITY OF SAUGATUCK

By: Ewen Clark
Clerk/Treasurer

Date: May 1, 1998



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Municipal Consolidation: Saving Money or Growing Government?

By C. Jarrell Dieterle, published on Aug. 4, 2011

In an effort to combat bloated government spending in the state, Gov. Rick Snyder wants to provide incentives for municipalities to consolidate. By combining local units of government, Gov. Snyder is hoping to create economies of scale and reduce expenditures. But before Michigan charges ahead on a consolidation crusade, a look at the research on the topic is in order.

Numerous studies investigating the putative cost-savings of municipal consolidation show mixed results. In 2009, at the behest of a state commission studying local government in New Jersey, Rutgers' School of Public Affairs and Administration undertook a literature review of various consolidation studies. Among other conclusions, the report warns that even though "there is some support for reducing the number of governments" via consolidation, "there is a considerable body of literature that does not support consolidation." For example, the report discusses the absence of efficiency gains in Australian and Canadian municipal consolidations in the 1990s.

Cost-savings from consolidation may seem to make sense, but there are several reasons why merging municipalities may not save as much money as some suggest. A study analyzing consolidation in Georgia reviews some of the overlooked costs involved in the process. Exclusion of one-time "transitional costs," such as expenditures for consolidation consultants or new buildings for a larger workforce, can cause the full costs of consolidation to be underestimated.

Another consideration, highlighted in a Syracuse University report, is the phenomenon of "leveling up." For example, a particular township employee might earn \$50,000 per year before a merger, while the corresponding city employee might earn \$70,000 per year. After consolidation, if the township employee's salary increases to \$70,000 as well, the new municipality will have higher compensation costs.

Leveling up can also occur with services. Using the city-township example, the more robust snowplowing schedule of the city might be extended to include the township roads as well, again raising total costs. As the experience of Detroit attests, larger government does not necessarily mean cheaper government.

Research on the cost-saving potential of municipal consolidation is best described as highly variable and contradictory. In fact, the only real conclusion one can draw from the many studies on the subject is that

there is no conclusion. The Syracuse University report summed up this reality, stating: "Policy makers should not expect any dramatic cost savings from consolidation and should avoid using the argument of cost saving as the main benefit of reform." Overall, much of the literature on consolidation ends with a proviso declaring mixed results and calling for further research on the topic.

The belief that efficiency gains from consolidation lead to cost-savings assumes that government adheres to a "demand-driven" model of operation. This theory treats government like a corporation that seeks to increase efficiency and cut costs. The demand-driven thesis, however, is not an accurate model for school district consolidation, according to a Mackinac Center report by Andrew J. Coulson. In his study, Coulson also tested "public choice" theory, which argues that public officials ultimately seek to advance their own interests. In the public choice model, such officials attempt to accumulate and spend as much money as possible in an effort to enhance their influence and power. Coulson found that the data provided "compelling support" for the public choice theory, noting that the "incentive structure" of public schooling encourages districts "to maximize their budgets."

Although no one appears to have tested public choice theory vs. demand-driven theory in municipal consolidation, local municipal officials would likely behave in the same way as school officials: seeking more money rather than cutting costs. Some public choice theorists argue that the very existence of fragmented units of government creates competition among municipalities, which can increase public-sector efficiency. In such a structure, residents serve as consumers by voting with their feet and moving to more efficient and responsive municipalities.

Ultimately, consolidating municipalities to save money is dubious. There are other alternatives for reining in out-of-control government spending, such as bringing public-sector benefits in line with the private sector and privatizing services. These options reform government incentives instead of re-structuring the public sector to mirror a corporation.

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C. Jarrett Dieterle is a 2010 graduate of the University of Richmond and a summer intern with the communications team at the Mackinac Center for Public Policy, a research and educational institute headquartered in Midland, Mich. Permission to reprint in whole or in part is hereby granted, provided that the author and the Center are properly cited.

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ACT 7 INTERLOCAL COOPERATION AGREEMENT

creating the

KALAMAZOO LAKE
HARBOR AUTHORITY, INC.

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This INTERLOCAL AGREEMENT is entered into pursuant to Act No. 7 of PA 1967 (hereinafter defined), taking in, but not limiting to those the powers and authorities granted under the Acts set forth below, by and among the signatory parties hereto ("Parties") for the purpose of creating the KALAMAZOO LAKE HARBOR AUTHORITY, INC. (the "KLHA" or "Authority") a separate legal entity and public body corporate, to administer the economic development objectives and purposes set forth herein. Each of the Parties is a "public agency" as defined in Act 7 with the power to carry out the programs described in this Agreement.

RECITALS

A. The Parties have determined that the restoration, maintenance, preservation and future development of Kalamazoo Lake waterways, channels, harbor, marina and waterfront area offers significant economic development opportunities and benefits.

B. The Urban Cooperation Act of 1967, Act No. 7 of the Public Acts of Michigan, 1967, Ex. Sess., MCL 124.501 *et seq.* ("Act 7"), permits a public agency to exercise jointly with any other public agency any power, privilege or authority which such public agencies share in common and which each might exercise separately.

C. The Natural Resources and Environmental Protection Act, Act No. 451 of PA 1944, as amended, MCL 324.79301, *et seq.*, ("Act 451"), defines "Political Subdivisions" as local units of government and any other governmental agency, subdivision, public corporation or authority, which is or may be authorized by law to acquire, establish, construct, maintain, improve and operate harbors, channels, and other navigational facilities.

D. Section 79303 of Act 451 authorizes two or more Political Subdivisions to enter into a contract with each other for the purpose of implementing Part 793 of the Natural Resources and Environmental Protection Act.

E. Section 30903 of Act 451 authorizes any local unit of government by itself or in combination with other local governments, to create a lake board for the protection of the public health, welfare, and safety; the conservation of the natural resources; and the preservation of property values around the lake by and empowering said lake board to take steps necessary to remove and properly dispose of undesirable accumulated materials from the bottom of the lake or wetland by dredging, ditching, digging or other related work.

F. The Water Resource Improvement Tax Increment Finance Authority Act, Act 94 of PA 2008, MCL 125.1771 *et seq.* empowers the governing body of a municipality to establish an authority within a water resource improvement district created under Section 5(1) of Act 94 and authorizes said municipality to enter into an umbrella agreement with an adjoining municipality that has created a similar authority to jointly operate and administer those authorities under an interlocal agreement under Act 7 [Sec. 5(5)].

G. The Parties desire to enter into an interlocal agreement, pursuant to Act 7 to jointly create the Authority and exercise the economic development powers shared by the Parties through the authority granted by the above acts.

H. Each Party has the power, privilege and authority to perform various economic development activities and administrative functions supportive of economic development activities, and to enter into this Agreement.

I. To the extent that State law is enacted or amended subsequent to the execution date of this Agreement to provide for powers which may be exercised by the Authority, the Parties desire and intend that the Authority created hereby be fully empowered and authorized to exercise such powers to the full extent authorized by law from and after such enactment or amendment, without further amendment to this Agreement, subject only to the limitations set forth in this Agreement.

J. Each Party, pursuant to resolution of its governing body, is authorized to execute and deliver this Agreement.

IN WITNESS WHEREOF, the Parties covenant and agree as follows:

ARTICLE I DEFINITIONS

The following words and expressions, whenever initially capitalized, whether used in the singular or plural, possessive or nonpossessive and/or either within or without quotation marks shall be defined and interpreted as follows:

Section 1.01 "Act 7" means the Urban Cooperation Act of 1967, Act No. 7 of the Public Acts of Michigan, 1967 (Ex Sess), as amended, MCL 124.501 to 124.512.

Section 1.02 "Act 451" means the Natural Resources and Environmental Protection Act, Act No. 451 of the Public Acts of Michigan, 1944, as amended, MCL 324.79301 *et seq.*

Section 1.03 "Act 94" means the Water Resource Improvement Tax Increment Finance Authority Act, Act No. 94 of the Public Acts of Michigan, 2008, as amended, MCL 125.1771, *et seq.*

Section 1.04 "Agreement" means this Interlocal Agreement, dated as of the Effective Date.

Section 1.05 "Authority" means that term as defined in Act 94, Act 7 or Act 451.

Section 1.06 "Authority Board" means the board of the Authority created by Section 6.01 of this Agreement.

Section 1.07 "Benefit" or "Benefits" means advantages resulting from a project to public corporations, the inhabitants of public corporations, the inhabitants of this state, and the property within public corporations. Benefit includes benefits that result from the elimination of pollution and elimination of flood damage, elimination of water conditions that jeopardize the public health and safety; increase of the value or use of lands and property

arising from improving a lake or lakes as a result of the lake project and the improvement or development of a lake for fishing, wildlife, boating, swimming, or any other recreational, agricultural or conservation use. (See MCL 324.30901).

Section 1.08 "Captured Assessed Value" means that term as defined in Act 94.

Section 1.09 "County Party" shall mean any Party organized as a Michigan county.

Section 1.10 "Days" means calendar days, unless otherwise expressly provided.

Section 1.11 "Development Area" or "Water Resource Improvement District" means that term as defined in Act 94, as amended.

Section 1.12 "Development Master Development Plan" means an overall conceptual design plan adopted by the Authority pursuant to Act 94 and Section 5.03 of this Agreement to encourage the coordinated and orderly development of the KLHA, including the recommended designation of land uses by the Local Government Parties under relevant provisions of their Zoning Acts and tax increment financing authority ordinances. The KLHA Master Development Plan shall have no binding force or effect within or upon any portion of the territory of any Local Government Party except to the extent expressly approved by resolution and any necessary implementing ordinance of the governing body of the Local Government Party.

Section 1.13 "Effective Date" means the later of the dates on which a fully executed copy of this Agreement, pursuant to Section 10 of Act 7, is (i) filed with Michigan Department of State, Office of the Great Seal, and (ii) filed with the Allegan County Clerk:

Section 1.14 Reserved.

Section 1.15 "Fiscal Year" means the fiscal year of the Authority, which shall begin on July 1 of each year and end on June 30 of each year, or such other fiscal year as may be determined from time to time by the Authority Board.

Section 1.16 "FOIA" or "Freedom of Information Act" means the Freedom of Information Act, Act No. 442 of the Public Acts of Michigan, 1976, as amended, MCL 15.231 to 15.246.

Section 1.17 "Governing Body" means the elected body of a municipality having legislative powers.

Section 1.18 "Initial Assessed Value" means the term as used in Act 94.

Section 1.19 "Inland Lake" means a natural or artificial lake that has a surface area of more than 5 acres.

Section 1.20 "KLHA" or "Authority" means the Kalamazoo Lake Harbor Authority, Inc. created by this Agreement, a separate legal entity and public body corporate, to administer the economic development objectives and purposes set forth herein.

Section 1.21 "Local Government Party" or "Municipality" shall mean any Party organized as a Michigan city, village or township or county who is a signatory under this Agreement.

Section 1.22 "OMA" or "Open Meetings Act" means the Open Meetings Act, Act No. 267 of the Public Acts of Michigan, 1976, as amended, MCL 15.261 to 15.275.

Section 1.23 "Operations and Maintenance" means maintenance of assets, recreational improvements made by the KLHA, including salaries and expenses of employees, office supplies, consultation fees, design costs and other expenses incurred in the daily activities and management of the Authority and planning of its activities.

Section 1.24 "Participation Agreement" means an agreement as described in Article IX of this Agreement.

Section 1.25 "Party" or "Parties" means, either individually or collectively as applicable to Local Government Party which is a signatory to this Agreement.

Section 1.26 "Permit" shall mean a permit, license or approval required to be granted by a Local Government Party as a condition of the operation of a business.

Section 1.27 "Person" means any individual, authority, profit or non-profit corporation, partnership, limited liability company, university, joint venture, trust, association, chamber of commerce, travel and visitors center, Public Agency, or other legal entity.

Section 1.28 "Public Agency" means that term as defined in Act 7.

Section 1.29 "Public Facility" means the term as defined in Act 94.

Section 1.30 "Site Plan" means that term as defined in the Zoning Act.

Section 1.31 "State" means the State of Michigan.

Section 1.32 "Tax Increment Revenues" means that term as defined in Act 94.

Section 1.33 "TIF Plan" means a Development Plan and/or a Tax Increment Financing Plan as those terms are defined and used in Act 94.

Section 1.34 "Water Resource Improvement" or "Lake Improvements" means that term as defined in Act 94 in Part 309 of Act 451.

Section 1.35 "Zoning Act" means the Michigan Zoning Enabling Act, Act No. 110 of the Public Acts of Michigan, 2006, as amended, MCL 125.3101 to 125.3702.

ARTICLE II
CREATION OF THE
KALAMAZOO LAKE HARBOR AUTHORITY

Section 2.01 Creation and Legal Status of the Kalamazoo Lake Harbor Authority, Inc. There is hereby created a separate legal entity and public body corporate to be known as the "Kalamazoo Lake Harbor Authority" for the purpose of administering and executing this Agreement. The Authority shall have those powers granted by law and identified in this Agreement.

Section 2.02 Geographic Boundaries. The boundaries of the Authority, within which it may exercise its powers shall be the submerged bottom land within that portion of the Kalamazoo River and Kalamazoo Lake which lies west of the I-196 bridge and continues to the east end of the break wall at the mouth of the river and Lake Michigan and land that may be up to one (1) mile from the shoreline of Kalamazoo Lake that contains one or more public access points within the collective political boundaries of the Local Government Parties, as more particularly described in Exhibit A attached hereto and made a part hereof. The Authority shall have no extraterritorial power or authority outside of these geographic boundaries.

Section 2.03 Principal Office. The initial principal office of the Authority is 86 W. Center Street, Douglas, Michigan 49406, or such other location as may be determined from time to time by the Authority Board.

Section 2.04 Title to Authority Assets. Except as otherwise provided under the terms of a transfer of programs and/or funding from a Party or Person to the Authority, the Authority shall have exclusive title to all its property, and no Party or Person shall have an ownership interest in the Authority property.

Section 2.05 Tax-exempt Status. The Parties intend and declare the activities of the Authority to be governmental functions carried out by an instrumentality or political subdivision of government as described in Section 115 of the Internal Revenue Code of 1986, 26 USC 115, or any corresponding provisions of any future tax code. The Parties also intend and declare the activities of the Authority to be of the same character as "governmental functions carried out by a political subdivision of this State," exempt to the extent provided under Michigan law from taxation by this State, including, but not limited to, the business tax under the Michigan Business Tax Act, Act No. 36, Public Acts of Michigan, 2007, as amended, MCL 208.1101 to 208.1601, and ad valorem property taxes under Act 206, and exempt to the extent provided under Michigan law from all governmental assessments and fees otherwise applicable to private entities.

Section 2.06 Compliance with Law. The Authority shall comply with all federal and state laws, rules, regulations, and orders applicable to this Agreement.

Section 2.07 Independent Contractor. The Parties agree that at all times and for all purposes under the terms of this Agreement each Party's relationship to each other shall be that of an independent contractor. Each Party will be solely responsible for the acts of its own

employees, agents, and servants. No liability, right or benefit arising out of any employer/employee relationship either express or implied shall arise or accrue to any Party as a result of this Agreement.

Section 2.08 No Third Party Beneficiaries. Except as expressly provided herein, this Agreement does not, and is not intended to, create, by implication or otherwise, any direct or indirect obligation, duty, promise, benefit, right to be indemnified (i.e., contractually, legally, equitably, or by implication) and/or any right to be subrogated to any Party's rights in this Agreement, and/or any other right of any kind, in favor of any Person.

ARTICLE III PURPOSE

Section 3.01 Purpose. The purpose of the Authority shall be to take advantage of the provisions of State laws enabling the creation and implementation of water resource, economic development activities generally and of the development of Kalamazoo Lake in particular and to attract facilities engaged in waterfront and marine activities, and other tourist or nautical businesses in accordance with State laws, and shall also include the exercise of power granted by such State laws in the joint exercise of shared powers, privileges or authority of the Parties to perform successful, effective and efficient economic development programs and functions throughout the geographic boundaries of the Authority. Shared powers shall include the coordination of complementary local programs and functions of the Parties. To the extent that State laws are enacted or amended subsequent to the execution date of this Agreement to provide for additional powers which may be exercised by the Authority, as may be hereafter recognized by statute, the Parties desire and intend that the Authority created hereby be fully empowered and authorized to exercise such powers upon approval by the Parties.

ARTICLE IV GENERAL POWERS OF THE AUTHORITY

Section 4.01 Powers Granted Under Act 7. In carrying out its purposes, the Authority may perform, or perform with any Person, as applicable, any power, privilege, or authority related to economic development that the Parties share in common and that each might exercise separately to the fullest extent permitted by Act 7 and in accordance with relevant law, except as expressly otherwise provided in this Agreement. Except as otherwise provided herein, the enumeration of a power in this Agreement shall not be construed as a limitation upon the powers of the Authority, and is in addition to any powers authorized by law. Among other things, the Authority, in its own name, shall have the power to:

- (a) Make or enter into contracts;
- (b) Employ agencies or employees;
- (c) Acquire, construct, manage, maintain, or operate buildings, works, or improvements;
- (d) Acquire, own, hold, operate, maintain, lease, or sell real or personal property and dispose of, divide, or distribute any property;

- (e) Incur debts, liabilities, or obligations that, except as expressly authorized in writing by the Parties, do not constitute the debts, liabilities, or obligations of any of the Parties;
- (f) Cooperate with a Public Agency, an agency or instrumentality of the Public Agency, or another legal or administrative entity created by the Public Agency under Act 7;
- (g) Make loans from the proceeds of gifts, grants, assistance funds, or bequests in order to further its purposes;
- (h) Form other entities necessary to further the purposes of the Agreement; and
- (i) Sue and be sued.

Section 4.02 Additional Powers Granted Under Act 7. The Authority shall also have the power to:

- (a) Employ, engage, compensate, transfer, or discharge necessary personnel, subject to the provisions of applicable civil service and merit systems and Act 7;
- (b) Fix and collect charges, rates, rents, fees, loan repayments, loan interest rates, or other charges on loans;
- (c) Promulgate necessary rules and provision for their enforcement by or with the assistance of the Parties to accomplish the purposes of this Agreement;
- (d) Accept gifts, grants, assistance funds, or bequests and use the same for the purposes of this Agreement. The Authority may apply for and accept grants, loans, or contributions from any source. The Authority may do anything within its power to secure the grants, loans, or other contributions;
- (e) Make claims for federal or state aid payable to a Party on account of the execution of this Agreement;
- (f) Respond for any liabilities that might be incurred through performance of the Agreement and insure against any such liability;
- (g) Arbitrate disputes or disagreements, the effects of failure of the Parties to pay their shares of the costs and expenses, and the rights of the other Parties in such cases;
- (h) Engage auditors to perform independent audits of the financial statements of the Authority;
- (i) Invest surplus funds or proceeds of grants, gifts, or bequests and adopt an investment policy in connection therewith;
- (j) Employ legal, financial and technical experts, other officers, agents, or employees, and accept voluntary provision of such services and functions from donor individuals and entities;

- (k) Study, develop, and prepare the reports or plans the Authority considers necessary to further the purposes of this Agreement and to monitor and evaluate performance under this Agreement; and
- (l) Indemnify, as permitted by law, and procure insurance indemnifying any members of the Authority Board or officers or employees of the Authority from personal loss or accountability from liability asserted by any Person for any acts or omissions of the Authority.

Section 4.03 Powers Under Act 451. In addition to the powers enumerated under Act 7 referenced above, the Authority may exercise all powers vested through Act 451, as amended, subject to the limitations, if any, of this Agreement including, without limitation:

- (a) Vest authority for the maintenance, operation and regulations of the Kalamazoo Harbor Development Area in a board which shall, by resolution or ordinance, prescribe the duties and powers of the board to:
 - (1) Adopt all necessary rules, regulations, and ordinances for the management, government, and use of any waterways, harbors, channels, or other navigational facilities under its control; employ harbor guards or security, a harbor master with full police powers; establish penalties for the violation of the rules, regulations, and ordinances; and enforce those penalties.
 - (2) Adopt and enact rules, regulations, and ordinances designed to safeguard the public in the Kalamazoo Harbor Development Area.
 - (3) Following adoption of a resolution by each Party consenting to the same, establish a special assessment district including all parcels of land and local units of government which will be benefitted by the improvement of the lake.
 - (4) Perform any other activity permitted under Acts 451 as amended.

Section 4.04 Powers Under Act 94. The Authority may exercise all powers vested in it through Act 94 including but not limited to :

- (1) Adopt a Water Resource Management Plan.
- (2) Plan and propose the construction, renovation, repair, remodeling, rehabilitation, restoration, preservation or reconstruction of public facilities that may be necessary or appropriate to the execution of the Water Resource Management Plan.
- (3) Make and enter into contracts necessary or necessary to the exercise of its powers and the performance of its Plan.
- (4) Acquire by purchase or otherwise lease land or other property, real or personal, or rights or interest therein.

- (5) Fix, charge and collect fees, rents and charges for the use of any facility, building or property under its control or any part of the facility, building or property and, where necessary, pledge such fees, rents and charges for the payment of revenue bonds issued by the Water Improvement Tax Increment Finance Authority.
- (6) Consistent with all procedures contained in Act 94, adopt a tax increment finance plan or establish a special assessment district and/or borrow money through the issuance of revenue bonds.
- (7) Perform any other activity permitted under Act 94, as amended.

Section 4.05 Bonds or Notes; Limitations. The Authority shall not issue any type of bond in its own name or in any way indebted a Party except as provided herein. The Authority may borrow money and issue bonds or notes in its name for local public improvements or for economic development purposes provided that the Authority shall not borrow money or issue bonds or notes for a sum that, together with the total outstanding bonded indebtedness of the Authority, exceeds 2 mills of the taxable value of the taxable property within the Parties as determined under Section 27a of the General Property Tax Act, 1893 PA 206, MCL 211.27a, unless otherwise authorized by other financial authorities and acts encompassed hereunder through Act 7. Bonds or notes issued by the Authority are the debt of the Authority and not of the Parties. Bonds or notes issued by the Authority are for an essential public and governmental purpose. Pursuant to Section 7(7) of Act 7, bonds or notes, together with the interest on the bonds or notes and income from the bonds or notes, are exempt from all taxes. Bonds or notes issued by the Authority are subject to Act No. 34 of the Public Acts of Michigan, 2001, as amended, as required by Section 7(8) of Act 7. This section is not meant to limit the ability to issue bonds by its individual Parties as provided for by law.

Section 4.06 Tax Limitation. The Authority shall not levy any type of property tax millage within the boundaries of any Party except by majority vote of the members of its governing body or authorized by the voters of the municipality as may be permitted by the Acts identified herein. Nothing contained in this Agreement, however, prevents one or more of the Parties from levying taxes in their own right and assigning the revenue from such taxes to the Authority, to the extent permitted by law.

Section 4.07 No Waiver of Governmental Immunity. The Parties agree that no provision of the Agreement is intended, nor shall it be construed, as a waiver by any Party of any governmental immunity provided under Act 7 or other law. In accordance with Act 7, the Authority shall not be operated for profit, and it shall perform governmental and not proprietary functions.

ARTICLE V SPECIFIC POWERS OF THE AUTHORITY; LIMITATIONS

Section 5.01 Master Development Plan. The Authority, in collaboration with the Parties, shall have the power to promulgate a Kalamazoo Lake Master Development Plan, a Water Resource Development Plan, Tax Increment Financing and Development Plan or similar plan as required by the specific Act being used for that area within the boundaries of

the Development Area of the Authority. The Development Plan may include proposed land uses to be recommended to the Parties' consideration in respect of the Parties' zoning regulations. The Kalamazoo Lake Master Development Plan or is equivalent shall be submitted to the Local Government Parties for approval prior to implementation.

If the Authority intends to include tax increment financing as a financing mechanism under the Act, the Water Improvement Tax Increment Finance Act, the Tax Increment Authorities of each Party or its equivalent must first adopt a tax increment financing and development plan pursuant to the procedures set forth in Act 94 to be administered by the Authority. Said plan shall mirror as close as possible the Kalamazoo Lake Master Development Plan.

Section 5.02 Application Criteria and Review; Incentives; Approval. The Authority shall have the power to promulgate application materials; to seek and accept applications from prospective developers and businesses; to establish criteria for development; except as such discretion is expressly limited by this Agreement or law; to consult with the State officials having subject matter jurisdiction in respect of applications and approvals; to monitor the performance of applicants; and to make recommendations in respect of applications to the State officials or entities, a Party, or any other Person having subject matter jurisdiction.

Section 5.03 Infrastructure Planning and Development. The Authority shall have the power to work with State and local government officials in the planning and development of infrastructure within the geographic territory of the Authority.

Section 5.04 Site Selection. The Authority shall have the power to assist prospective developers and businesses with selection of development sites within the geographic territory of the Authority.

Section 5.05 Marketing; Business Attraction. The Authority shall have the power to conduct marketing and business attraction efforts on behalf of itself and the Development Area.

Section 5.06 Real Estate Development. The Authority shall have the power to provide consultation to assist any Person in respect of the development of real estate within the geographic territory of the Authority.

Section 5.07 Regulatory Assistance and Processing. The Authority shall have the power to provide assistance to prospective developers and businesses in respect of applying for and obtaining any necessary or advisable licenses, permits or approvals from federal, State and local government entities.

Section 5.08 Local Government Assistance. The Authority shall have the power to provide assistance to the Parties with the implementation and coordination of economic development programs within the geographic territory of the Authority.

ARTICLE VI
AUTHORITY BOARD

Section 6.01 Authority Board Composition. The Board of Directors shall, for general purposes, consist of the following Board Members. The appointing authority of each Party shall appoint two (2) members to the Authority Board provided that not more than one (1) of those members is an elected official. The appointing authorities of each Party shall collectively agree on the appointment of one (1) additional member who shall be a person having ownership, residence or business interest in land abutting Lake Kalamazoo. Members of the Authority Board shall serve at the pleasure of the appointing Party for terms established by each Party, but not to exceed four (4) years.

- (a) Each Party entitled to membership on the Authority Board shall have the ability to appoint one (1) alternate member to serve in a permanent member's place and stead if the permanent member is absent from an Authority Board meeting. Appointment of the alternate shall be made by the appointing authority in writing.
- (b) The City Manager or Chief Administrative Official of each Party shall serve as an ex-officio non-voting member of the Authority Board.
- (c) A vacancy on the Authority Board shall be filled in the same manner as the original appointment for the balance of the unexpired term.
- (d) All Authority Board Members are eligible for re-appointment in accordance with the rules and procedures of the appointing Authority.
- (e) All Authority Board members may be removed by the appointing authority at will.
- (f) If the Authority Board is assuming the powers under a particular Act requiring additional board members, those members shall be appointed for the limited purpose of serving for the particular purposes required under that particular Act.

Section 6.02 Meetings. The Authority Board shall meet at least annually at the place, date, and time as the Authority Board shall determine. Meetings shall comply with the Open Meetings Act.

Section 6.03 Quorum and Voting. A majority of the Authority Board then in office and present in person shall be required to constitute a quorum for the transaction of business, and a majority vote at a meeting at which a quorum is present shall be necessary for the transaction of business.

Section 6.04 Authority Board Powers and Responsibilities. The Authority Board shall do all of the following by a majority vote unless otherwise provided:

- (1) Upon the recommendation of the Authority Board, adopt by-laws and rules of procedure governing the Authority Board and their respective actions and meetings. Initial by-laws and rules of procedure shall be adopted within six (6) months of the first meeting of the Authority Board.
- (2) Elect individuals to fill the positions of Chairperson, Vice Chair Secretary and Treasurer.

- (3) Cause to be conducted an annual independent audit of the Authority in accordance with the Budget Act.
- (4) Upon the recommendation of the Chairperson and the Treasurer, approve the annual budget in accordance with the Uniform Budgeting and Accounting Act, Act No. 2 of the Public Acts of Michigan, 1968, as amended.
- (5) Evaluate the Authority's performance under this Agreement and law and recommend changes.
- (6) Establish policies and procedures in respect of ethics and conflicts of interest consistent with Sections 2.09 and 7.09 of this Agreement.
- (7) Approve an investment policy in accordance with Act No. 20, of the Public Acts of Michigan, 1943, as amended.
- (8) Create committees and appoint individuals to serve thereon.

Section 6.05 Fiduciary Duty. The members of the Authority Board are under a fiduciary duty to conduct the activities and affairs of the Authority in the best interests of the Authority, including the safekeeping and use of all Authority monies and assets for the benefit of the Authority. The members of the Authority Board shall discharge this duty in good faith, with the care an ordinarily prudent individual in a like position would exercise under similar circumstances.

Section 6.06 Compensation. The members of the Authority Board shall receive no compensation for the performance of their duties, but each member shall be reimbursed for such member's reasonable expenses in carrying out those duties. A member of the Authority Board may engage in private or public employment, or in a profession or business.

ARTICLE VII OFFICERS

Section 7.01 The Authority Board, at the annual meeting, shall elect a Chairperson, Vice-Chairperson, a Secretary and a Treasurer who shall hold their offices for one year or until their successors are duly elected. Said officers shall exercise such powers and perform such duties as shall be determined from time to time by the Authority Board.

Section 7.02 Vacancies. Vacancies shall be filled by appointments made by the respective appointing entity for the balance of the unexpired term.

Section 7.03 Meetings. The Authority Board shall hold meetings at the place, date, and time as the Authority Board shall determine. Meetings shall comply with the Open Meetings Act.

Section 7.04 Compensation. The officers shall receive no compensation for the performance of their duties, but each officer shall be reimbursed for such officer's reasonable expenses in carrying out those duties.

Section 7.05 Conflicts of Interest. The Authority Board may adopt policies and procedures requiring periodic disclosure of relationships which may give rise to conflicts of interest. The policies and procedures shall require that a member of the Authority Board or the officer who has a direct or indirect interest in any matter before the Authority disclose the member's interest and any reasons reasonably known to the officer or member of the Authority Board why the transaction may not be in the best interest of the public before the Authority Board takes any action with respect to the matter. The disclosure shall become part of the record of the Authority's proceedings.

Section 7.06 Subject to the relevant provisions of State law, the policies and procedures also shall have the objective of precluding the opportunity for and the occurrence of transactions by the Authority that would create a conflict of interest involving members of the Authority Board, officers and employees of the Authority. At a minimum, these policies to be established for the Authority should include compliance by each member of the Authority Board, Officers, and employees of the Authority who regularly exercise significant discretion over the award and management of Authority projects with policies governing the following:

- (a) Immediate disclosure of the existence and nature of any financial interest of an individual or immediate family member that would reasonably be expected to create a conflict of interest.
- (b) Withdrawal by an employee or member from participation in or discussion or evaluation of any recommendation or decision involving an Authority project that would reasonably be expected to create a conflict of interest for that employee or member.

Section 7.07 Termination. An officer may be removed by the Authority Board by a majority vote of the Authority Board with or without cause at any time. An officer may resign at any time by written notice to the Authority Board. Any vacancy thereby created shall be filled by a majority vote of the Authority Board until the next annual meeting.

ARTICLE VIII DURATION OF, WITHDRAWAL FROM, AND TERMINATION OF INTERLOCAL AGREEMENT

Section 8.01 Duration. The Authority commences on the Effective Date and continues for a term of ninety-nine (99) years unless earlier terminated in accordance with this Article VIII.

Section 8.02 Withdrawal by a Party. Any Party may withdraw from the Agreement at any time upon notice given six (6) months in advance to the Authority, or in accordance with Section 14.10 of this Agreement, and the Authority thereafter shall exercise no power or authority within the territory of the withdrawing Party; provided that if the Authority has incurred debts or obligations which also are debts or obligations of a Party on account of having been expressly authorized by the Party in accordance with Sec. 7(2) of Act 7 and Sec. 4.01 of this Agreement, the Party shall remain obligated for any such payment following its withdrawal from the Agreement; and provided further that the withdrawal of a

Party shall not invalidate nor terminate prior to its stated termination date any Master Development Plan or TIF Plan or the collection of Tax Increment Revenues, or any other economic development incentive previously established or granted prior to the withdrawal of the Party, and the withdrawing Party shall be deemed to remain a Party if necessary for the limited purpose of preserving any of the foregoing incentives, and provided further that in the event of a withdrawal by a Party, the Authority shall not extend the effective term of any of the foregoing incentives beyond its stated termination date.

Section 8.03 Termination. This Agreement shall continue until terminated by the first to occur of the following:

- (a) If this Agreement is approved by majority vote of the elected members of the Party's legislative bodies but fails to be approved by a majority vote of the electors in a referendum as a result of a petition filed within forty-five (45) days of the approval of the Agreements, this Agreement shall be terminated and rescinded as a result of such vote.
- (b) When there is one (1) Party left;
- (c) A three-fourths (3/4) vote of the voting members of the Authority Board then serving in office; or
- (d) Expiration of the stated term of the Agreement.

Section 8.04 Disposition upon Termination. As soon as possible after termination of this Agreement, the Authority shall wind up its affairs as follows:

- (a) All of the Authority's debts, liabilities, and obligations to its creditors and all expenses incurred in connection with the termination of the Authority and distribution of its assets shall be paid first; and
- (b) The remaining assets, if any, shall be distributed among the remaining Parties in accordance with Act 7 or other relevant law, and otherwise in proportion to their contributions to the Authority.

ARTICLE IX CONTRIBUTIONS

Section 9.01 Entry Fees. Any local government which becomes a Party to this Agreement shall be required to pay an entry fee. The entry fee for each Party shall be such amount mutually agreed upon by the Parties and is intended to fund the initial costs expended to create, and the operational expenses of, the Authority until such time as other revenue sources have been established. The entry fee may be deferred, partially deferred or waived for initial parties in partial or entirely in consideration of the in-kind contributions made in support of creating the Authority as provided for in Section 9.02. The entry fee for Parties subsequently joining the Authority shall be determined by a recalculation into equal shares of the amount of the initial costs expended to create and fund the operational expenses of the Authority to the date joining which may be waived in whole or in part by the Parties to this Agreement in their sole reasonable discretion in consideration of in-kind contributions.

Section 9.02 Personal Property, Assets, Services, Employees. Any Party may make contributions of personal property, assets, services or employees deemed necessary to the creation or operational support of the Authority. The reasonable value of which shall be credited against the Party's entry fee as set forth in Section 9.01 or thereafter upon approval by the Authority Board. The reasonable value of personal property or assets shall be determined by the Authority Board, in its sole discretion, by reference to a published market rate of the items in question, competitive quotes, or other objective measure approved by the Authority Board. In the case of contributed employees or services, reasonable value shall be determined based upon a proration for the time worked of the annual total compensation of the employee being loaned, service being provided or other objective measure approved by the Authority Board. The Authority shall have full discretion to return to the Party any contributed employee or to make other arrangement for any services being contributed, in which case the Party shall be subject to and shall promptly pay the remaining entry fee.

Section 9.03 Marketing Costs. The Authority may annually prepare a marketing budget for the Authority for the purpose of paying for marketing efforts designed to attract users to Kalamazoo Lake. Expenditure of such budgeted moneys shall be subject to annual review and audit to assure compliance with State and federal law and regulation.

Section 9.04 Acts and Omissions. The Authority shall only be liable for its own acts or omissions which occur after the Effective Date and none of the Parties shall be liable for any acts or omissions of the Authority.

Section 9.05 Execution of Documents. The Authority and each Party shall cooperate in order to execute and deliver to the Authority any and all documents including bills of sale, assignments, and certificates necessary or appropriate to effectuate each Party's contribution to the Authority.

Section 9.06 Participation Agreement. The Authority and a Party may enter into a Participation Agreement for the purpose of executing the purposes and activities contemplated by this Agreement.

ARTICLE X ADMISSION OF OTHER PARTIES

Section 10.01 Procedure. Following the Effective Date, a Public Agency may become a Party by submitting a written request to the Chairperson or Authority Board and pursuant to guidelines established by the Authority Board, payment of the then applicable entry fee as provided for in Article IX, Section 9.01 and in accordance with law. The Authority Board may recommend approval to the Local Government Parties to this Agreement, who shall approve or deny the request. Approval of this Agreement shall be by resolution of the entity seeking to become a Party.

Section 10.02 Effective Date. The effective date of admission of a Party is the date on which a fully executed copy of this Agreement which contains the name and signatory of the newly admitted Party is filed with Michigan Department of State, Office of the Great

Seal, and filed with the County Clerk of each county which is a Party to this Agreement pursuant to Section 10 of Act 7.

Section 10.03 Not an Amendment to Agreement. The admission of additional Parties after the initial Effective Date of this Agreement shall not constitute an amendment to or alternative form of this Agreement nor change the Effective Date. Any amendment to or alternative form of this Agreement may be made only in accordance with Section 14.10.

Section 10.04 Opinion of Legal Counsel. The written request submitted to the Authority Board shall be accompanied by an opinion of legal counsel to the Public Agency in form and substance satisfactory to counsel to the Authority, and to the Attorney General of the State if approval by the Attorney General is then required, including but not limited to opinions to the effect that the Public Agency is validly formed, has the powers set forth in Articles IV and V of this Agreement, and that the Agreement, once duly executed and delivered, will be the valid and binding obligation of the Public Agency, enforceable in accordance with its terms.

ARTICLE XI SHARING OF REVENUE; LIMITATIONS

Section 11.01 Sharing of Revenue. The Parties agree conceptually that the Authority's success in attracting economic development will be measured in income from the Authorities projects, special assessment or bond proceeds, tax increment financing revenues, among other sources yet identified. The Parties therefore agree to investigate a fair and equitable means of sharing all or a portion of such revenue streams as permitted by law. Example, the dredging of Kalamazoo Lake benefits all parties and the cost should be shared proportionately according to the amount of submerged land falling within their jurisdiction. Funds secured for this purpose should be distributed in same proportionate fashion. The sharing of administrative costs is another example.

Section 11.02 Limitations. The Parties understand and agree to abide by any statutory limitations placed on financial proceeds collected from Special Assessment Districts (SAD) or Tax Increment Financing (TIF) or other statutory limitations set forth in comparable statutes. Example, SAD proceeds may only be spent on projects within the SAD district established by each party within their jurisdiction. TIF dollars can only be spent on projects set forth in each Party's Tax Increment Finance and development Plans within their TIF districts.

ARTICLE XII BOOKS AND REPORTS

Section 12.01 Accrual Basis. The Authority shall maintain its books of account on an accrual basis of accounting, except as otherwise required by law.

Section 12.02 Authority Records. The Authority shall keep and maintain at the principal office of the Authority all documents and records of the Authority. The records of the Authority shall include a copy of this Agreement along with a listing of the names and addresses of the Parties. Such records and documents shall be maintained until termination of this Agreement.

Section 12.03 Financial Statements and Reports. The Authority shall cause to be prepared at least annually, at Authority expense, audited financial statements prepared in accordance with the Budget Act and with generally accepted accounting principles and accompanied by a written opinion of an independent Certified Public Accountant. A copy of the annual financial statement and report shall be filed with the State Department of Treasury within six months after the end of the Authority's Fiscal Year in accordance with law, with copies filed with each Party.

Section 12.04 Freedom of Information Act. The Authority is subject to and shall comply with the Freedom of Information Act.

ARTICLE XIII FINANCES

Section 13.01 Annual Budget. The Authority shall be subject to and comply with the Budget Act. The Treasurer annually shall prepare and the Authority Board shall approve a budget for the Authority for each Fiscal Year. Each budget shall be approved not less than 15 days prior to the beginning of the Fiscal Year. The budget may not be approved by the Authority Board unless first approved by each Party by resolution.

Section 13.02 Deposits and Investments. The Authority shall deposit and invest funds of the Authority, not otherwise employed in carrying out the purposes of the Authority, in accordance with an investment policy established by the Authority Board consistent with State law regarding the investment of public funds.

Section 13.03 Disbursements. Disbursements of funds shall be in accordance with guidelines established by the Authority Board and in accordance with the Budget Act and law.

ARTICLE XIV MISCELLANEOUS

Section 14.01 Notices. Notice of all meetings of the Authority Board shall be given in the manner required by the OMA. In addition, at least three (3) days prior to the date set for the holding of any meeting of the Authority Board, written notice of the time and place of such meeting shall be sent by email or other electronic means to each Authority Board member, as the case may be, at the email or other appropriate address of such member appearing on the records of the Authority. Every notice by email or other electronic means shall be deemed duly served as of 5:00 p.m., prevailing Eastern Time, next following the actual time when the notice is transmitted, as recorded by the Authority's communication system. The Chairperson or his or her designee may, but shall not be required to, cause additional written notice to be provided to a member or members by mailing such notice via regular U.S. mail not less than seven (7) days prior to the date set for the holding of the meeting to the address of such member or members appearing on the records of the Authority. Mailed notice shall be deemed duly served on the second business day following the day when the same has been deposited in the United States mail with postage fully prepaid and addressed to the sendee as provided above.

Any and all correspondence or notices required, permitted or provided for under this Agreement to be delivered to any Party shall be sent to that Party by email or other electronic means at the email or other appropriate address of such Party appearing on the records of the Authority, with a written copy by first class mail, provided that notices required by Sections 5.12, 5.13, 5.14, 5.15 and 5.16 and notices of withdrawal shall be sent by email or other electronic means and by certified mail, return receipt requested, in lieu of first class mail. All such written notices including any notice of withdrawal as provided herein shall to be sent to each other Party's signatory to this Agreement, or that signatory's successor at the address as set forth above such Party's signature, or to such other address provided by the Party to the Authority from time to time. All correspondence shall be considered delivered to a Party as of 5:00 p.m., prevailing Eastern Time, next following the actual time when the notice is transmitted, as recorded by the Authority's communication system.

Section 14.02 Entire Agreement. This Agreement sets forth the entire agreement between the Parties and supersedes any and all prior agreements or understandings between them in any way related to the subject matter hereof. It is further understood and agreed that the terms and conditions herein are contractual and are not a mere recital and that there are no other agreements, understandings, contracts, or representations between the Parties in any way related to the subject matter hereof, except as expressly stated herein.

Section 14.03 No Presumption. This Agreement shall be construed without regard to any presumption or other rule requiring construction against the Party causing this Agreement to be drafted.

Section 14.04 Severability of Provisions. If any provision of this Agreement, or its application to any Person or circumstance, is invalid or unenforceable, the remainder of this Agreement and the application of that provision to other persons or circumstances is not affected but will be enforced to the extent permitted by law.

Section 14.05 Governing Law. This Agreement is made and entered into in the State of Michigan and shall in all respects be interpreted, enforced and governed under the laws of the State of Michigan without regard to the doctrine of conflict of laws. The language of all parts of this Agreement shall in all cases be construed as a whole according to its fair meaning, and not construed strictly for or against any Party.

Section 14.06 Captions and Recitals. The captions, headings, recitals and titles in this Agreement are intended for the convenience of the reader and not intended to have any substantive meaning and are not to be interpreted as part of this Agreement. They are solely for convenience of reference and do not affect this Agreement's interpretation.

Section 14.07 Terminology. All terms and words used in this Agreement, regardless of the number or gender in which they are used, are deemed to include any other number and any other gender as the context may require.

Section 14.08 Cross-References. References in this Agreement to any Article include all Sections, subsections, and paragraphs in the Article; references in this Agreement to any Section include all subsections and paragraphs in the Section.

Section 14.09 Jurisdiction and Venue. In the event of any disputes between the Parties over the meaning, interpretation or implementation of the terms, covenants or conditions of this Agreement, the matter under dispute, unless resolved between the parties, shall be submitted to the courts of the State of Michigan.

Section 14.10 Amendment. The Agreement may be amended or an alternative form of the Agreement adopted only upon written agreement of all Parties.

Section 14.11 Execution of Agreement; Counterparts. Each Party shall duly execute three (3) counterparts of this Agreement, each of which (taken together) is an original but all of which constitute one instrument.

[Remainder of this page left blank intentionally]

IN WITNESS WHEREOF, this Agreement is executed by each Party on the date hereafter set forth.

CITY OF SAUGATUCK

WITNESS: [Signature]

BY: [Signature]
Jane Verplank

[Signature]

Its: Mayor _____

BY: [Signature]
Monica Looman

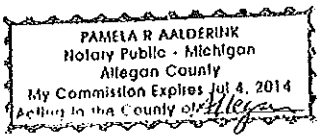
Its: City Clerk _____

DATE: NOVEMBER 15 2011

STATE OF MICHIGAN)
)ss.
COUNTY OF ALLEGAN)

On this 15th day of NOVEMBER, 2011, before me a Notary Public in and for said County, appeared Jane Verplank and Monica Looman, to me personally known, who, being by me duly sworn, did each for herself say that they are, respectively, the Mayor and City Clerk of the City of Saugatuck, the corporation named in and which executed the within instrument, and that said instrument was signed and sealed on behalf of the City of Saugatuck by authority of its City Council; and said Jane Verplank and Monica Looman acknowledged said instrument to be the free act and deed of the said City of Saugatuck.

[Signature]
Notary Public, Allegan County, Michigan
Acting in Allegan County, Michigan
My Commission Expires: _____



Public Hearing in the City of Saugatuck held on October 17, 2011.

IN WITNESS WHEREOF, this Agreement is executed by each Party on the date hereafter set forth.

CITY OF THE VILLAGE OF DOUGLAS

WITNESS: [Signature]

BY: Martha Hoexter
Martha Hoexter

[Signature]

Its: Mayor Pro Tem

BY: Jean E. Neve
Jean E. Neve

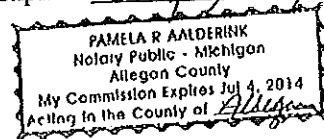
Its: City Clerk

DATE: November 15th, 2011

STATE OF MICHIGAN)
)ss.
COUNTY OF ALLEGAN)

On this 15th day of NOVEMBER, 2011, before me a Notary Public in and for said County, appeared Martha Hoexter and Jean E. Neve, to me personally known, who, being by me duly sworn, did each for herself say that they are, respectively, the Mayor Pro Tem and City Clerk of the City of the Village of Douglas, the corporation named in and which executed the within instrument, and that said instrument was signed and sealed on behalf of the City of the Village of Douglas by authority of its City Council; and said Martha Hoexter and Jean E. Neve acknowledged said instrument to be the free act and deed of the said City of the Village of Douglas.

Pamela R. Alderink
Notary Public, Allegan County, Michigan
Acting in Allegan County, Michigan
My Commission Expires: July 4, 2014



Public Hearing in the City of the Village of Douglas held on October 10, 2011.

EXHIBIT A

LEGAL DESCRIPTION

The boundaries of the proposed water resource improvement district within which the Water Resource Improvement Tax Increment Finance Authority shall exercise its powers are as follows:

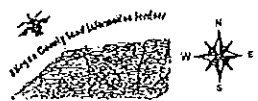
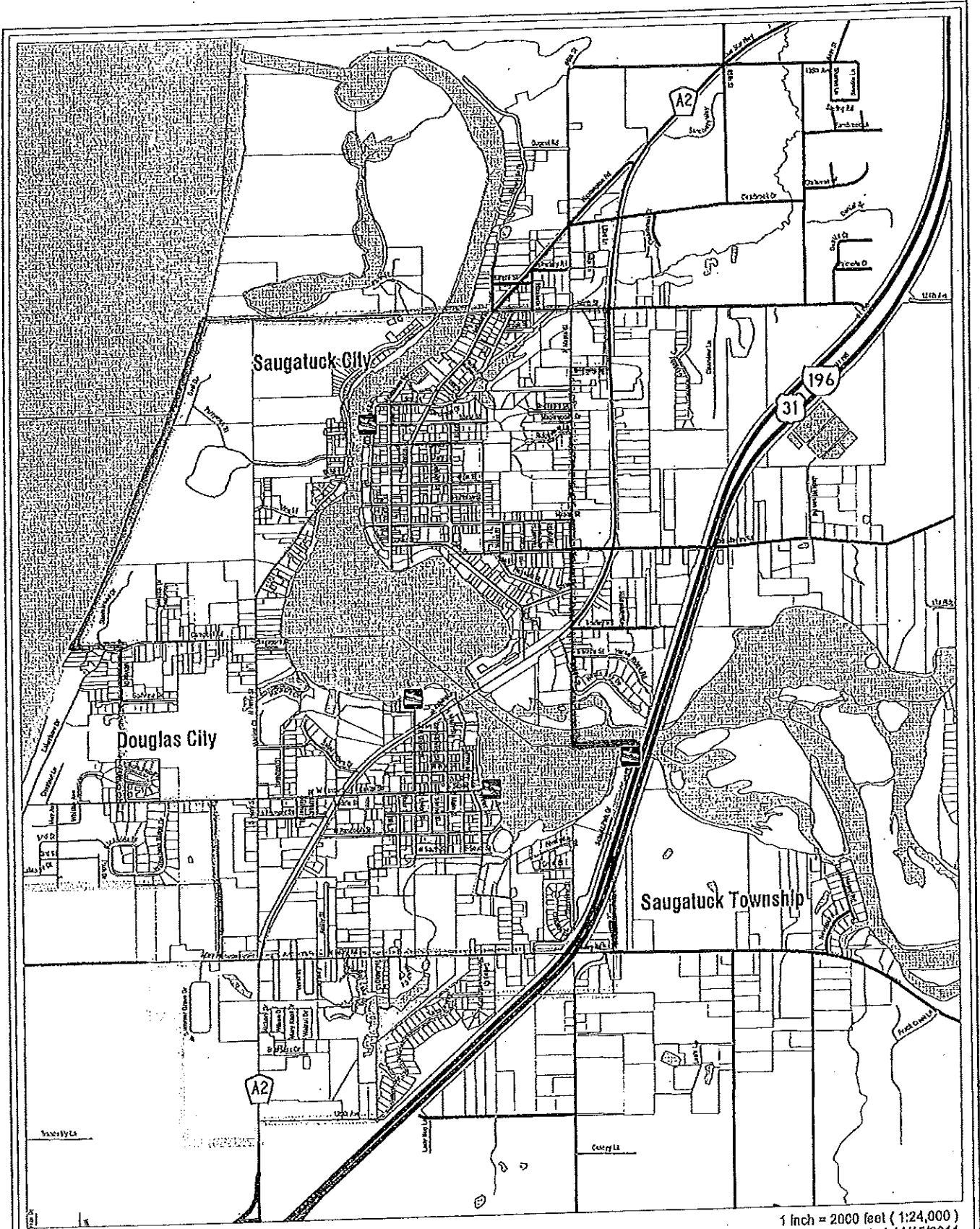
Beginning in the City of Saugatuck:

T3N, R16W, Section 8; Also all that part of Section 16 which lies north and east of the Kalamazoo Lake and the Kalamazoo River; and also a parcel of land in Section 10 described as beginning 701.91 feet north of the southwest corner of the north 5/8 of the west 1/2 of the northwest 1/4 of Section 10 on the west Section line, thence north to the northwest corner of Section 10, thence due east on the Section line to the westerly right-of-way of the Blue Star Highway (formerly known as old US 31), thence southeasterly along the westerly right-of-way of the Blue Star Highway to a point due east of the beginning, thence west to the beginning, and

Continuing to the City of the Village of Douglas:

all properties that fall within a district that would be created by drawing a line starting at the intersection of Ferry Street and Campbell Road and proceeding West along Campbell Road to a point approximately 200 feet West of McVea Dr., then turning South at that point and proceeding in a straight line to Center Street, then turning East on Center Street and proceeding to a point approximately 650 feet West of intersection of Center and Ferry Streets, then turning South at that point and proceeding in a straight line to Wiley Road, then turning East on Wiley Road proceeding to the eastern boundary of the City, then turning North and following the boundary of the city to a point in Lake Kalamazoo that marks the dividing line between the City of Douglas and Saugatuck Township, then following that line in Lake Kalamazoo that goes West and North West to a point that aligns with the point of beginning at Ferry Street and Campbell Road.

So that these descriptions when joined along their common boundaries combine form one Water Resource Improvement Tax Increment Finance Authority District as depicted on the following map:



Public Access Points

Allegan County Land Information Services assumes no liability for the conclusions drawn from the use of these data

1 inch = 2000 feet (1:24,000)
Map Created 11/15/2011

RECEIVED

JUL 20 2012

OFFICE OF LAND SURVEY &
REMONUMENTATION

CITY OF THE VILLAGE OF DOUGLAS
COUNTY OF ALLEGAN
STATE OF MICHIGAN

RESOLUTION NO. 27-2012

A RESOLUTION TO THE STATE BOUNDARY COMMISSION REQUESTING A
CHANGE IN DATE AND TIME FOR THE LOCAL PUBLIC HEARING

At a regular meeting of the City Council for the City of the Village of Douglas,
Michigan, held at the City of the Village of Douglas City Hall, Douglas, Michigan, on the
sixteenth day of April, 2012, at 7:00 p.m.

PRESENT: Bailey, Greenwood, Harvath, Hoexter, Mayer, Smith

ABSENT: Wiley

The following Resolution was offered by Councilperson Harvath and supported by
Councilperson Mayer.

RESOLUTION

WHEREAS, the City Council of the City of the Village of Douglas has been advised, that the
State Boundary Commission at their meeting on April 11, 2012 announced that the sole public
hearing in the local area would be held on Wednesday, May 16, 2012 at 10:00 a.m. at the
Saugatuck Center for the Arts, and

WHEREAS, the City Council has also been advised that the Boundary Commission, in setting
the date and time for public hearing, did so with the advise and involvement from the
Consolidated Government Committee but without any input from the three involved units of
government, and

WHEREAS, the Boundary Commission has now failed to comply with their Rule 61 (R 123.61)
which provides for the proper notice to the Clerks of involved units of government or to the
County Clerk 30 days in advance of the public hearing, and

WHEREAS, the Boundary Commission has now failed to comply with their Rule 42 (R 123.42)
which is designed to provide a minimum of 30 days notice to the involved units of government
for the preparation of the informational questionnaires which also now makes it impossible for

any of the involved parties to comply with Commission Rule 44 (R-123.44) which directs that the informational questionnaires will be sent to and received back by a specified date that is prior to the public hearing, and

WHEREAS, the proceedings under Docket # 11-C-1 involve municipal consolidation that is a very rare occurrence and this petition may be the first of its kind in the history of the State.

NOW, THEREFORE BE IT RESOLVED AS FOLLOWS, that the Douglas City Council believes that it is important for the Boundary Commission to conduct all proceedings in relation to Docket # 11-C-1 in a manner that is transparent and provides for the highest level of public involvement including the scheduling of a local public hearing at a date and time that maximizes the ability of the public to offer their input in person to the Boundary Commission and to participate fully in the deliberations involving their future.

BE IT FURTHER RESOLVED, that the Douglas City Council calls on the Boundary Commission to immediately reschedule the local public hearing to a future date and time that will be in compliance with their own rules and procedures and following the proper development of the factual record and provide for the informed input from all interested parties.

BE IT FURTHER RESOLVED, this resolution be sent to the attention of Mr. Dennis Schornack, Chairman of the State Boundary Commission and transmitted to State Senator Rick Jones, State Representative Bob Genetski, Mr. Steven H. Hilfinger, Director, Department of Licensing and Regulatory Affairs, the City of Saugatuck, Saugatuck Township and Allegan County.

YEAS: Council Members: Bailey, Greenwood, Harvath, Hoexter, Mayer, Smith

NAYS: Council Members: None

ABSTAIN: Council Members: None

ABSENT: Council Members: Wiley

ADOPTED this 16th day of April, 2012.

CITY OF THE VILLAGE OF DOUGLAS

BY: Martha Hoexter
Martha Hoexter, Mayor Pro Tem

BY: Jean E. Neve
Jean E. Neve, City Clerk

CERTIFICATION

I, Jean E. Neve, the duly appointed Clerk of the City of the Village of Douglas, do hereby certify that the foregoing is a true and complete copy of a Resolution adopted by the Douglas City Council at a regular meeting held April 16, 2012, 2011 in compliance with the Open Meetings Act, Act No. 267 of the Public Acts of Michigan, 1976, as amended, the minutes of the meeting were kept and will be or have been made available as required by said Act.

CITY OF THE VILLAGE OF DOUGLAS

BY: Jean E. Neve
Jean E. Neve, City Clerk

RECORDED

JUL 20 2012

OFFICE OF LAND SURVEY &
REMONUMENTATION

COLLECTIVE BARGAINING AGREEMENT
BETWEEN
THE CITY OF THE VILLAGE OF DOUGLAS
AND
MICHIGAN AFSCME COUNCIL 25

Termination Date: June 30, 2013

AGREEMENT

This Agreement made and entered into this 6th day of July, 2011, by and between the City of the Village of Douglas, hereinafter referred to as the "Employer," and the City of the Village of Douglas Department of Public Works Employees of the Michigan A.F.S.C.M.E. Council #25, A.F.L.-C.I.O., hereafter referred to as the "Union," and Members of the Union hereinafter referred to as "bargaining unit members."

ARTICLE I PURPOSE AND INTENT

1.1 General Purpose. It is the intent and purpose of the parties hereto that this Agreement shall set forth rates of pay, hours and other conditions of employment to be observed by the parties hereto and the bargaining unit members represented by the Union.

It is recognized by both parties that they have a mutual interest and obligation to maintain friendly cooperation between the Employer and the Union which will permit safe, economical and efficient operations of the City of the Village of Douglas, hereinafter called "City".

1.2 Understandings. This Agreement includes understandings with respect to: rates of pay, wages, hours of employment and other conditions of employment.

1.3 Headings. The headings used in this Agreement and the exhibits appended hereto, neither add to nor subtract from the meaning thereof, but are for reference purposes only.

1.4 Conflicting Provisions. Any provision of the Agreement that shall be or become in conflict with any Federal or State law, regulation or order, now existing or hereafter enacted or put in force, shall be invalid and unenforceable; such invalidity or unenforceability shall not affect the remainder of this Agreement.

**ARTICLE II
RECOGNITION**

2.1 Collective Bargaining Unit. The Employer recognizes the Union as the exclusive representative of all bargaining unit members in the unit described for the purposes of collective bargaining in accordance with Act 379.

Unit Description:

All regular fulltime and regular part-time employees including the Department of Public Works ("DPW") Assistant Superintendent in the DPW at the City of the Village of Douglas.

Excluding: Elected officials, DPW Superintendent, Police Department employees, guards, managers, supervisors, clerical employees, casual, seasonal, and temporary employees, and all other employees.

Full-time employees shall be defined as employees normally working seventy (70) or more hours per pay period.

Part-time employees shall be defined as employees normally working less than seventy (70) hours per pay period.

**ARTICLE III
REPRESENTATION**

3.1 Collective Bargaining Committee. The employer agrees to recognize a bargaining committee of two (2). The purpose of the committee is to administer this Agreement in accordance with the grievance procedure as established herein and for the purpose of negotiations or other meetings between the Union and the Employer. The bargaining committee shall not lose time or pay for time spent in negotiations or other meetings between the Union and the Employer.

3.2 Access. An accredited representative of the Union will be granted admission to the City during regular working hours, provided notice is given in advance to the City Manager. In no event shall any such representative interfere with the normal operations of the City, nor shall Union meetings be held during working hours unless granted by the City.

3.3 Bulletin Boards. The Employer will provide space on a bulletin board which may be used by the Union for posting notices pertaining to Union business.

3.4 Bargaining Unit Membership (Agency Shop). As a condition of continued employment, all employees in the bargaining unit shall either become and remain members in good standing in the Union or pay a representative fee to the Union, which shall be an amount equivalent to the amount of dues uniformly required of members of the bargaining unit, subject to any rights as may be provided by law.

Requests that an employee not be scheduled for work or overtime ("non-pay status") for failure to pay his dues (or financial core fees as the case may be) shall be in writing. If, in accordance with this Article, an employee is on a non-pay status by the Employer upon written request of the Union, and the employee files charges or a lawsuit against the Employer, the Union shall hold the Employer harmless and will indemnify the Employer for any amount required to be paid by the Employer to or on behalf of the employee because of such failure/refusal to schedule, together with any attorney fees and other costs incurred by the Employer. All employees who fail to comply with this Article, within thirty (30) days after the effective date of this Agreement or the beginning of their employment in the bargaining unit, shall be discharged by the Employer within thirty (30) days after receipt of written notice from the Union of non-compliance.

3.5 Dues Check-Off. The Employer agrees to deduct the Union membership dues or representation fee from the pay of each bargaining unit member who signs an authorization for payroll deduction on a form provided by the Union, and provided that such authorization shall have been provided to the Employer. The amount to be deducted and a check off list shall be certified to the Employer in writing annually by the Secretary-Treasurer of Michigan Council #25. The Employer shall remit said deductions with an itemized statement along with a list of the names of all bargaining unit members whose deductions were made to the Secretary-Treasurer of Michigan Council #25, A.F.S.C.M.E., A.F.L.-C.I.O. to such address as designated.

3.6 The Employer shall not be liable to the Union by reason of the requirements of this Article, for the remittance or payment of any sum other than that constituting actual deductions made from employee's wages earned. The

Union shall save the Employer harmless from any action arising out of such deductions, and the Union assumes full responsibility for the disposition of funds so deducted.

ARTICLE IV MANAGEMENT RIGHTS

4.1 Management Rights. The City retains and shall have the sole and exclusive right to manage and operate the City and all of its operations and activities. Among the rights of the City, included only by way of illustration and not by way of limitation, are:

- A. The right to determine all matters pertaining to the services to be furnished and the methods, procedures, means, equipment and machines required to provide such services;
- B. To determine the nature and number of facilities and departments to be operated and their locations;
- C. To establish clarifications of work and number of personnel required;
- D. To determine and change the size, composition and qualifications of the workforce;
- E. To determine the extent to which and the manner and means its services will be operated or eliminated in whole or in part;
- F. To determine whether and to what extent any work shall be performed by employees and how it shall be performed;
- G. To maintain order and efficiency in the City's operations including the right to select, hire, promote, demote, lay off, discharge for just cause, assign and train employees;
- H. To subcontract any part of its operations, including unit work, in accordance with Section 13.9 "Subcontracting";

- I. To select and determine supervisory employees;
- J. To determine and change methods and means by which operations are to be carried on;
- K. To establish, and/or abolish duties, standards of performance for employees, job classifications, operating units or department;
- L. To establish, change and abolish its policies, work rules, regulations, practice and standards/codes of conduct and to adopt new policies, work rules, regulations, practices and standards/codes of conduct;
- M. To assign duties to employees in accordance with the needs and requirements of the City, as determined by the City;
- N. To direct and control operations;
- O. To maintain order and efficiency;
- P. To discontinue and maintain its operations as in the past;
- Q. To study and use improved methods and equipment, to use outside assistance whether in or out of the City's facilities, and in all respects to carry out the ordinary and customary function of administration of the City;
- R. To take whatever actions may be necessary to carry out the mission of the City in situations of emergency;
- S. To maintain efficiency of City operations entrusted to them;
- T. The City retains all rights established by the law and reserves the sole and exclusive right to establish and administer without limitation, implied or otherwise, all matters not specifically and expressly limited by this Agreement. These management rights shall not be subject to the grievance and arbitration procedures established herein unless the exercise of a management right violates another express provision of this Agreement.

- U. The City shall retain the sole right to suspend, discipline and discharge employees, provided however, that these rights shall not be exercised in violation of any specific provisions of this Agreement. These rights shall be subject to the grievance and arbitration procedures established herein.
- V. The City shall have the right to establish a substance abuse testing program.

ARTICLE V GRIEVANCE PROCEDURE

5.1 Definition of Grievance. A grievance is defined as a dispute over the meaning and application of this Agreement which is raised by an aggrieved bargaining unit member or the Union.

5.2 Procedure. All grievances shall be processed in accordance with the following procedure:

Step 1. Within five (5) working days, except as otherwise provided from the event or knowledge which caused the grievance, a bargaining unit member and/or the Union shall discuss the grievance with the department head. If, after discussion, the parties fail to resolve the dispute, it shall be reduced to writing on a grievance form provided by the Union and presented to the Department Head within five (5) working days after discussion. The Department Head shall give a written answer to the grievance within five (5) working days after receipt of the grievance to the Union.

Step 2. If the dispute is not settled in Step 1, it may be processed under Step 2, by written notice to the City Manager within five (5) working days following the reply in Step 1. A Step 2 meeting shall be held with five (5) working days following the receipt of the grievance between the City Manager and the Union. The bargaining unit member may be present at the request of either party. The City Manager shall give a written reply to the Union within five (5) working days following the meeting.

Step 3. If the dispute is not settled in accordance with Step 2 within ten (10) working days of the City's Step 2 answer, the Union may send to the City Manager a request for mediation with the MERC. A Union officer shall not suffer

loss of time or pay for authorized lost time during regular working hours while representing their members. The mediation shall be nonbinding, and shall solely be for the purpose of trying to resolve the issue in a mutually acceptable manner to both the Union and the City. In the event the parties are unable to agree on a resolution of the issue, the grievance will be decided in accordance with the following Step 4.

Step 4. Arbitration Request. In the event the mediator, above described, is unable to arrive at a mutually acceptable solution to the grievance, or if the mediation step was bypassed, and the Union wishes to appeal the matter to Arbitration, it shall do so by filing a demand for arbitration with the Michigan Employment Relations Commission (MERC), in writing, within thirty (30) calendar days of the verbal response from the mediator or if mediation was bypassed, within thirty (30) calendar days of written notification of the city's intent to bypass mediation in accordance with this Agreement.

5.3 Arbitrator. The arbitrator shall be empowered to hear and decide the dispute between the parties which may arise in connection with the application or interpretation of provisions of this Agreement. The proceedings shall be conducted in accordance with the American Arbitration Association Rules and Regulations. The expenses of the arbitrator shall be shared equally between the Union and the City. The cost of witness fees and/or lost pay for bargaining unit employees will be the responsibility of each party. A Union Officer shall not suffer loss of time or pay for authorized lost time during regular working hours while representing their members.

5.4 Grievance Form. The grievances shall be filed promptly, and in order to be processed beyond Step 1, shall be reduced to writing on a form provided by the Union. The written grievance form shall be signed by the aggrieved bargaining unit member and/or the Union and, at a minimum, shall include the date the grievance arose, the specific facts involved, the section of the collective bargaining agreement, and /or policy allegedly violated and the relief sought.

5.5 Time Limits. Any grievance not answered within the time limits by the Employer shall be automatically advanced to the next step of the grievance procedure. Any grievance not appealed by the Union within the time limits shall be deemed settled on the basis of the Employer's last answer. By mutual

agreement, the time limits may be extended by the parties. If such time limits are extended, such extensions shall be in writing and signed by the Employer and the Union.

5.6 No Strike. Because it is the intent of the parties to provide arbitration as a final settlement of any dispute that may arise during the term of this Agreement, the Union will not instigate, condone, engage in, or take part in any strike, slowdown, stoppage of work, or any other action which would curtail or impede any operations of the departments.

5.7 Discipline and Discharge. The Employer may take disciplinary measures including, but not limited to, verbal warnings, written warnings, suspension and discharge for just cause. Verbal warnings will be documented in writing in the personnel file. Though the Employer wishes to operate its disciplinary procedures based on a progressive basis, certain actions by an employee may result in immediate discharge. Under those circumstances, the fact that the progressive discipline has not occurred shall not affect the appropriateness of immediate discharge. When following the progressive disciplinary policy, the City will not consider discipline which has occurred more than three (3) years prior to the current disciplinary action contemplated.

5.8 Representation. An employee may request that a Union representative be present at a meeting at which discipline is being imposed or which may reasonably be expected to lead to discipline. The Union representative shall be allowed a reasonable period of time to appear for the meeting, but not to exceed four (4) hours, and if the Union representative appears for the meeting, the Union representative shall be allowed a brief period of time to confer with the employee prior to the meeting.

5.9 Procedures. The employee will be provided a written notification as to why he/she is being disciplined or that no discipline is being imposed at the conclusion of the investigation.

5.10 Disputing a Discharge or Suspension. In the event an employee under the jurisdiction of the Union shall be suspended from work for disciplinary reasons or is discharged from his/her employment after the date hereof and he/she believes he/she has been unjustly suspended or discharged, such suspension or discharge

shall constitute a case arising under the grievance procedure, provided a written grievance with respect thereto is presented to the City Manager or designee within three (3) regularly scheduled working days after the Union receives written notification of such discharge or suspension. Such grievance shall be processed starting at Step 2 of the grievance procedure.

ARTICLE VI SENIORITY

6.1 Probation. A new employee shall work under the provision of this Agreement, but shall be employed on a probationary status for the first twelve (12) months during which period he/she may be discharged without further recourse. A new hire will receive \$1.00 per hour lower wage during the probationary period. Seniority shall be based solely on the length of service. A bargaining unit member shall lose his/her seniority only if absent no call no show for three (3) consecutive days without leave, quits, retires, or is discharged, provided the discharge is not reversed through the procedure set forth in this Agreement.

6.2 Seniority Lists. Employees who complete the probationary period shall be entered on the seniority list and shall have seniority from their first date employed as a probationary employee. The seniority list on the date of this Agreement will show the name, date employed, and job title of each bargaining unit member in the unit entitled to seniority (most senior bargaining unit member first).

The Employer shall keep the seniority lists up to date and provide the Union with a copy. The Employer shall send a copy of the seniority list, including the bargaining unit members' addresses on record with the Employer, to Michigan Council #25. The list shall be provided within thirty (30) days of the effective date of this Agreement and thereafter during the months of July and January.

6.3 Layoff. In the event that a reduction in the workforce becomes necessary, seasonal and temporary employees shall be laid off first. Then the first bargaining unit members to be reduced from the City shall be those bargaining unit members who are on probation, provided, however, that the remaining bargaining unit members have the necessary training and experience to perform

the required work. If additional reductions are necessary, it shall be on the basis of seniority, i.e., least senior bargaining unit member being laid off first.

Bargaining unit members to be laid off will receive at least seven (7) calendar days advance written notice, a copy of which shall be given to the Union.

6.4 Recall. When the workforce is increased after a layoff, bargaining unit members will be recalled according to seniority, i.e., most senior bargaining unit member on layoff being recalled first extended into the next year.

Notice of recall shall be sent to the bargaining unit member at his last-known address by registered or certified mail. The bargaining unit member shall notify the employer of his intent to return to work within ten (10) working days from the date of mailing of the notice of recall, or he shall be considered a quit. The bargaining unit member shall report to work within ten (10) working days from notification of intent to return.

ARTICLE VII LEAVES OF ABSENCE

7.1 Personal Leave of Absence. An employee may be allowed up to eight (8) weeks off per calendar year without pay for medical leave. In order to be entitled to such unpaid leave, the employee may be required to produce appropriate medical documentation satisfactory to the City. Medical leave may be taken for the documented illness or injury of the employee or his or her spouse, child or step-child in his or her care or custody. A child means a biological, adopted, foster child, step-child, or legal ward who is under the age of 18 years or over the age of 18 years but incapable of self-care because of a mental or physical disability.

Pregnancy will be treated as any other illness or disability for which medical documentation requires time off work. An employee may be entitled to maternity leave for a maximum period of eight (8) weeks to bond with or care for a newborn or newly adopted child.

During any medical leave, the employer will continue to pay its share of the health insurance costs. The covered employee must continue to pay his or her share of any premiums for said coverage.

If an employee is absent for more than eight (8) work weeks in any calendar year for any reason, she/he will be terminated.

7.2 Maternity Leave. Pregnant employees shall be eligible for paid sick leave in accordance with the sick leave provisions of this Agreement.

7.3 Military Leave. The Employer shall comply with the Uniformed Services Employment and Reemployment Rights Act ("USERRA"), and Michigan Public Act 133 of 1995, as amended (collectively the "Acts") with regard to any period of uniformed service by an employee, as defined in the Acts.

7.4 Jury Duty. If an employee is summoned and reports for jury duty, such employee shall be paid the difference between the employees regular pay, and pay received for jury duty, not including mileage monies. Such payment will only be made on days when the employee otherwise would have been scheduled to work. An employee shall report promptly to work when he/she is excused from jury duty, provided he/she is excused during his/her regularly scheduled shift. Failure of the employee to so report shall cause him/her to forfeit all right and claim to jury pay supplement under this section and the employee may be subject to discipline.

7.5 Bereavement Leave. In the case of death of a non-probationary employees spouse, parent, or child, the employee shall be granted five (5) working days leave of absence with pay to attend the funeral and handle pre and post funeral arrangements. Additional time may be allowed at the discretion of the Supervisor, if required.

In the case of death of an employee's extended family an employee shall be granted a leave of absence with pay to make arrangements for and attend the funeral, provided that such leave shall not exceed two (2) working days. Extended family shall be defined as sisters, brothers, mother-in-law and father-in-law. Exceptions for extenuating circumstances may be made with the approval of the Supervisor.

Bereavement leave shall not be granted to employees on layoff, workers compensation or unpaid leaves of absence. All available vacation leave, personal leave or other available paid leave must be taken if additional bereavement leave is requested and approved.

ARTICLE VIII PAID SICK LEAVE

8.1 Sick Leave. Paid sick leave shall be accumulated by all full-time employees after completing thirty (30) calendar days of employment with the City.

Employees must notify their supervisor at the earliest opportunity when they will be off work because of illness.

- A. To be eligible to use accrued paid sick leave, the employees shall give notice to their supervisor at least one (1) hour prior to the start of the scheduled workday. The supervisor shall be contacted on each additional day of absence. Exceptions may be made for extenuating circumstances.
- B. Records shall be maintained of sick leave earned and used. Any sick leave in excess of three (3) days may require a signed doctor's certificate upon return to duty. An employee returning to work from paid sick leave will assume the classification he/she previously held, unless the position has been eliminated or physical restrictions make him/her unable to perform the duties.
- C. The abuse of sick leave or falsification of requests shall constitute sufficient grounds for discharge or other disciplinary action. If an extended illness requires an employee to be absent for more than two (2) weeks, the City may seek a temporary replacement until the employee returns, up to a maximum period of eight (8) weeks. After that time, the employee's employment will terminate.
- D. Accumulation of Sick Leave. Currently, the City has determined that paid sick leave shall be accumulated as follows:

On January 1 of each year, employees shall receive eight (8) days of sick leave for their use. Employees hired after January 1 will receive sick leave on a prorated basis. If an employee leaves before the end of the year for any reason, he/she will forfeit any unused sick days.

- E. Sick leave shall not be converted to time off or vacation.
- F. There will be no pay out of sick days not used at the end of the calendar year. Up to **five (5)** days maximum may be carried over to the next year.

8.2 Medical Examination. On return from any kind of medical leave of absence of four (4) work weeks or more, the Employer reserves the right to require an employee, at the Employer's expense, to take a medical examination. Any abuse of leave time shall be cause for disciplinary action.

ARTICLE IX HOLIDAYS AND PERSONAL LEAVE DAY

Any non-seasonal full-time employee is subject to receive pay for the following holidays:

New Year's Eve Day	Day after Thanksgiving
New Year's Day	Christmas Eve Day
Memorial Day	Christmas Day
Labor Day	Fourth of July
Thanksgiving Day	

If a holiday falls on a Saturday, the preceding Friday will serve as the holiday and if the holiday falls on a Sunday, the following Monday will serve as the holiday.

Any other changes in the days considered holidays shall be made by the City Council, upon affirmative recommendation from the City Manager.

To be eligible for holiday pay, the employee must have worked his/her last scheduled day prior to the holiday and the first scheduled day after the holiday, unless the employee is on a scheduled vacation or an approved personal leave or provides a written excuse from a licensed physician verifying his/her illness.

If the holiday falls on the employee's day off, he will receive eight (8) hours of holiday pay at his regular rate of pay. An employee working on a holiday will receive pay at **two (2) times his regular pay** for the hours he has worked plus eight (8) hours of holiday pay at his regular rate of pay.

In addition to the holidays listed above, each employee shall be entitled to one full eight (8) hour day as a floating holiday to be taken off with prior approval, provided there is adequate coverage and it is scheduled with their Supervisor.

An employee who is scheduled to work on a holiday recognized under this agreement or who otherwise agrees to work on such holiday, but fails to report for work, unless otherwise excused for a reason satisfactory to the Employer, shall not be entitled to holiday pay and will be subject to discipline.

Full-time employees shall receive two (2) personal days per year. Personal days shall be used for such purposes as: doctor and dental appointments, financial transaction, etc. Such leave shall be requested for approval by the supervisor two (2) working days in advance. Unused personal days shall not be carried over or compensated for.

ARTICLE X VACATION

After completion of one year of service, all full time employees are entitled to vacation as noted below. Vacation is earned time for hours worked the previous year.

After One Year	40 hours
From 2 and up to 5 years	80 hours
From 5 and up to 10 years	120 hours
10 Years and above	160 hours

Annual vacation leave scheduling shall be at the discretion of the Supervisor. Annual vacation leave should be scheduled in weekly periods. Annual vacation for periods less than one (1) week shall be at the discretion of the Supervisor.

- A. Should a holiday be observed on one of the employee's vacation days, an additional day of vacation, with pay, shall be granted. Vacation pay, in lieu of time off shall not be approved.
- B. Each employee granted a vacation under this section will be paid at his/her current, straight time rate. Vacation days are not considered time worked for purposes of overtime.
- C. A vacation may not be waived by an employee and extra pay received for work during that period, except in cases of extreme emergency, as approved by the Council.
- D. Vacations will be granted at such times during the year as are suitable, considering both the wishes of the employee and the efficiency of the Department concerned. The City may reschedule vacations based upon the Department's operational needs.
- E. All vacations must have the prior approval of the employee's Supervisor. Employees must notify their Supervisor, in writing, at least fourteen (14) calendar days in advance of the vacation period desired.
- F. An employee shall not accumulate more hours of vacation time than the vacation maximums set forth above. The employee may carryover up to forty (40) hours of vacation from one calendar year to the next.
- G. If an employee who is otherwise eligible for vacation with pay quits after giving two weeks prior notice or his employment is terminated without having received the vacation pay for which he is eligible, such employee shall receive along with his final paycheck the unused vacation for which he qualified on his prior employment anniversary date, prorated through the date of termination. However, any employee discharged for just cause shall not be eligible for any unused vacation pay.

ARTICLE XI WORK SCHEDULE

11.1 Work Schedule and Overtime. The Employer may establish any work schedule that may be utilized as the need requires. In the event of an operational need, such as a weather emergency, as determined by the Supervisor, the Supervisor can call employees in to work. The Employer may schedule different shifts for different weather conditions. Depending upon the weather conditions, the Employer may schedule different shifts for different weather conditions. Depending upon the weather conditions, the Employer may schedule employees to work an eight hour period at any time. Shift changes during the winter must be maintained for one week before changing again. Summer hours may be scheduled for an eight (8) hour period between 6 a.m. and 8 p.m. Special events are scheduled for different hours and shifts for different duties. The Supervisor will schedule the time off.

The Employer will follow its current practice of making reasonable efforts to equalize overtime between employees who are willing to work overtime hours. If no employee elects to fill the overtime, the least senior employee must take the overtime.

Emergencies will be paid a minimum of **three (3)** hours at time and one-half (**1 ½**). Regular scheduled time on Saturday or Sunday will not be paid on minimum hours, but will be paid based on actual hours worked, and will be paid at the regular rate of pay.

Time and one-half (**1 ½**) shall be paid for all hours worked in excess of the regular 40 hours per work week, or compensatory time, as may be mutually agreed between the Employer and the bargaining unit member.

For the purposes of computing overtime and compensatory time, paid holidays shall be considered towards hours worked.

11.2 Overtime/Compensatory Time. The City policy is to reduce and restrict the amount of overtime/compensatory time earned by employees. With this in mind, it is understood that there are special cases which may require the need for overtime/compensatory time. In such special situations, the Supervisor shall

approve the time prior to earning. The overtime/compensatory rate shall be one and one-half (1 ½) times the regular hourly rate and will be paid as follows:

- A. The scheduling of compensatory time off work must be approved in advance by the employee's immediate supervisor.
- B. The employee who requests the use of compensatory time off shall be permitted to use such time within a reasonable period after making the request; provided the use of compensatory time off does not disrupt the operations of the Department.
- C. In no case shall an employee be permitted to accrue more than two-hundred forty (240) hours of compensatory time. An employee may elect compensatory time, but is not required to take compensatory time.
- D. Upon termination of employment, employees shall be paid for all accrued but unused compensatory time earned pursuant to this section and the FLSA, at a rate of compensation not less than the average regular rate received by such employee during the last three (3) years of employment or the final regular rate of pay, whichever is higher, per FLSA.

11.3 Seasonal Weekend On-Call. To take care of essential operating situations which require immediate response for frequent but unpredictable emergency situations, the Employer may utilize a seasonal weekend on-call list.

An on-call list consisting of all members shall be completed no later than October 1st for the winter season.

Employees who are not available for their scheduled on-call assignment must find another member of the staff to work their assignment and notify the scheduler of the change. Emergency situations where advance notice is not possible must be brought to the attention of the supervisor as soon as possible.

11.4 Workweek and Payday. Unless otherwise provided, the normal workweek on which weekly overtime calculations will be based begins each Saturday at 12:01 a.m. and continues until Friday at 12:00 p.m. midnight. Employees will

normally be paid on a bi-weekly basis. Payday shall normally be by Wednesday for the preceding two weeks ending the Friday before payday.

ARTICLE XII INSURANCE AND FRINGE BENEFITS

12.1 Health Insurance. Office visits will be paid by employees at \$30 per visit and contraceptive coverage will be available. The Employer offers health insurance coverage for all full-time employees. Coverage will be offered after completing thirty (30) calendar days of employment with the Employer. Terms and conditions of insurance shall be stipulated by the insurance carrier. The Employer reserves the right to change insurance carriers at its own discretion based upon availability of adequate coverage at the most advantageous rate. Prescription co-pay shall be \$15.00 for generic drugs and \$50.00 for brand name drugs per prescription.

The Employer reserves the right to select or change insurance carriers, or to be a self-insurer, either wholly or partially, with respect to such benefits, and to choose the administrator of such insurance programs provided the benefits taken as a whole are substantively equivalent. No such change shall occur without meeting with the Union to review the new carrier's policy if the Union requests such a meeting.

An employee who is eligible for health insurance coverage through another carrier may opt out of the City's health insurance plan. The City shall compensate such employee at the following rates:

Single	\$150.00 per month
2-Person	\$230.00 per month
Family	\$300.00 per month

12.2 Health Insurance Premium Contributions. Employees shall pay **ten percent (10%)** of their health insurance premium by payroll deduction each pay period through an approved Section 125 Plan.

12.3 Dental Insurance. Dental insurance will be offered at no cost to full-time employees, upon the same terms and conditions as offered to other full-time employees of the Employer.

12.4 Clothing Allowance. The Employer will provide an annual clothing allowance of \$500.00 per fiscal year at a supplier and in colors and style established from time to time by Employer. The Employer will provide uniform shirts, which each employee will be required to wear on the job. The cost of the uniform shirts will be deducted from the \$500 annual clothing allowance. The employee will be required to purchase pants, boots, shoes and coats, but no other items, with the balance of the annual \$500 clothing allowance.

12.5 Short Term Disability Insurance. The Employer currently provides short-term disability insurance benefits which begin thirty (30) days after a disability for up to twenty-six (26) weeks of coverage up to a maximum of \$300 per week. Terms and conditions of insurance coverage shall be stipulated by an insurance carrier at its own discretion according to the policy package adopted by the Employer. The Employer reserves the right to change insurance carriers at its own discretion based upon availability of adequate coverage at the most advantageous rate.

Employees should contact the City Clerk's office regarding coverage, eligibility requirements. A copy of the current summary plan description is available from the Employer. The different terms of the benefits will be controlled by the insurance carrier's actual plan documents.

The Employer reserves the right to select or change the insurance carriers, or to be a self-insurer, either wholly or partially, with respect to such benefits, and to choose the administrator of such insurance programs provided the benefits taken as a whole are equivalent or equal. No such change shall occur without meeting with the Union to review the new carrier's policy if the Union requests such a meeting.

12.6 Workers' Compensation. The Employer agrees that an employee who is eligible for Workers' Compensation may use sick leave pay to make the difference between worker compensation wage benefit and regular weekly pay. In the event an employee exhausts all of his accrued sick leave, he will be given the

option to use available vacation time to continue supplementing the difference in pay.

12.7 Pension. All full-time employees will be covered by M.E.R.S. (Municipal Employees Retirement System) of Michigan effective the date of full-time employment. The current coverage is at a MERS level B-2, with no step up. New employees shall be covered by MERS after thirty (30) days of employment.

12.8 Life Insurance. The City will provide fifty-thousand (\$50,000) in group term life insurance benefits of an employee, but not spouse or dependent coverage. Employees should contact the City Clerk's office regarding coverage and eligibility requirements. A copy of the current summary plan description is available from the Employer. The different terms of the benefits will be controlled by the insurance carrier's actual plan documents.

12.9 Optical Reimbursement. The City shall maintain a Health Reimbursement Account (HRA) for each employee and shall reimburse each employee up to \$300.00 per calendar year for vision expenses incurred by the employee and/or the employee's dependents.

ARTICLE XIII MISCELLANEOUS

13.1 Rates for New Jobs. When a new job is created, the Employer will notify the Union of the classification and rate structure at least thirty (30) days prior to it becoming effective. Within ten (10) working days, the union must request a special conference with the Employer for the sole purpose of negotiating the rate of the classification. In the event a settlement is not reached, it will be a proper subject to the grievance procedure.

13.2 Distribution of Agreement. The Employer agrees to make available to each bargaining unit member a copy of a new agreement and to provide a copy of the same agreement to all new bargaining unit members entering the employment of the Employer.

13.3 Use of City Owned Vehicles. City owned vehicles are absolutely not to be used in any manner for personal use.

13.4 Mileage. Employees who use their personal vehicles for what the City Manager considers City business shall be eligible for reimbursement at the maximum rate set by the City Council. Employees should first clear the status of a reimbursement with the Supervisor before incurring such costs.

13.5 Safety Rules. The Employer reserves the right to establish safety rules. If an Employee does not have a reasonable basis for violating a safety rule, the Employee will be subject to discipline. If the Employee can establish a reasonable basis for violating a safety rule, the Employee will not be subject to reprimand.

13.6 Work of Supervisors. Supervisory personnel are working supervisors, and can perform work on any job classification within the bargaining unit. Supervisory personnel may not perform work on any job classification if a member of the bargaining unit would suffer a loss of call in overtime opportunity or be laid off as a result of work performed by a supervisor.

13.7 Subcontracting. Nothing contained herein shall preclude the Employer from contracting or subcontracting that work which, in its opinion, it does not have the personnel, equipment or facilities to perform or, which, in its judgment, it cannot economically and/or practically perform with the existing work force, provided however the City will attempt to give reasonable prior notice to the Union of its decision to contract or subcontract.

13.8 Reasonable Rules and Regulations. The Employer shall have the right to make such reasonable rules and regulations not in conflict with this Agreement as it may from time to time deem best for the purpose of maintaining order, safety and/or efficient operations. Any complaint relative to the reasonableness of any rules established or the discriminatory application thereof may be considered as a grievance and be subject to the grievance procedure contained in this Agreement.

**ARTICLE XIV
WAGES**

14.1 Wages. As of ratification by both sides.

WAGE SCHEDULE

Laborer/E.O.	Hourly Rate	Hourly Rate	
	July 1, 2011	July 1, 2012	
	\$17.33	\$17.67	
Asst. Supt.	Hourly Rate	Hourly Rate	
	July 1, 2011	July 1, 2012	
	\$19.77	\$20.11	

14.2 License Fees. Employees certified with a Class B Commercial Driver's License with Airbrake specification shall be reimbursed for payment of the applicable fee, every four years. Employees with this license and specification shall also be reimbursed up to \$100.00 for eye, hearing and physical examination necessary to maintain the license and specification.

**ARTICLE XV
TERMINATION AND MODIFICATION**

15.1 Effective Date. This agreement shall become effective on the date of ratification by both the City Council and the Union members and continue in full force and effect until 12:00 midnight on June 30, 2013.

15.2 Termination and Amendment Notice. If either party desires to amend and/or terminate this Agreement it shall, sixty (60) days prior to the above termination date, give written notification of same.

If neither party shall give such notice, this Agreement shall continue in effect from year to year thereafter, subject to notice of amendment or termination by either party, on sixty (60) days written notice prior to the current year's termination date.

15.3 Notice of Termination and Modification. Notice shall be in writing and shall be sufficient if sent by certified mail, addressed to the Union at: 3625 Douglas Avenue, Kalamazoo, MI 49004-3403; and to the Employer at: City of the Village of Douglas, 86 W. Center Street, PO Box 757, Douglas, MI 49406; or to any such address as the Union or Employer may make available to each other.

**Michigan American Federation of
State, County and Municipal Employees
Union, AFL-CIO, Council 25; and**

CITY OF THE VILLAGE OF DOUGLAS

Date

Renee Waddell, Mayor Date

Date

Jean E. Neve, Clerk Date

LETTER OF UNDERSTANDING

Agreement to Continue Bargaining

On

Retirement Plans and Benefits for New Hires

In addition to other issues, the parties have engaged in good faith bargaining over retirement benefits, retirement plans and employer and employee contributions for such plans and benefits in an attempt to establish plans and benefits for any new employees hired by the city after July 1, 2011 in order to satisfy the State's requirements for the City to receive the maximum of Revenue Sharing funds available to it.

Therefore, the parties agree that even after all other issues are settled and ratified by the membership and the City Council, they will continue to bargain in good faith with the intention of reaching an agreement on these issues through and including, if necessary, mediation and Fact Finding.

Such bargaining will not, however, interfere with the implementation of all other agreements reached and properly ratified by the parties.

Michigan American Federation of
State, County and Municipal Employees
Union, AFL-CIO, Council 25; and

CITY OF THE VILLAGE OF DOUGLAS

Date

Renee Waddell, Mayor Date

Date

Jean E. Neve, Clerk Date

RECEIVED

JUL 20 2012

OFFICE OF LAND SURVEY &
REMONUMENTATION

ARTICLE I
AGREEMENT

1.1: This agreement entered into this first day of July, 2010 between the City of the Village of Douglas (hereinafter referred to as the "Employer") and the Police Officers Labor Council (hereinafter referred to as the "Union").

ARTICLE II
PURPOSE AND INTENT

2.1: The general purpose of this Agreement is to set forth terms with respect to rates of pay, wages, hours of employment and other conditions of employment and to promote orderly and peaceful labor relations for the mutual interest at the City of the Village of Douglas in its capacity as Employer, its employees, the Union and the citizens of the City of the Village of Douglas, Michigan.

2.2: To these ends, the Employer and the Union encourage to the fullest degree, friendly and cooperative relations between their respective representatives at all levels and among all employees.

ARTICLE III
RECOGNITION

3.1: The City of the Village of Douglas recognizes the Police Officers Labor Council as the sole and exclusive bargaining agent to the extent permitted and required by Act 336 of the Public Acts of 1947, as amended by Act 379 of the Public Acts of 1965, for all regular full-time police officers. The Employer agrees to negotiate with the Union on items relating to raises of pay, wages, hours and conditions of employment.

3.2: Employees shall have the right to join the Union, to engage in lawful, concerted activities for the purpose of collective negotiation or bargaining or other mutual aid and protection, to express or communicate any view, grievance, complaint or opinion related to the conditions or compensation of public employees or their betterment, all free from any and all restraint, interference, coercion, discrimination or reprisal.

3.3: The Employer will deduct, upon signed authorization by individual officers, all initiation fees, dues and assessments as certified by the Union and forward same to the Union each month. The authorization shall be irrevocable for the term of this Agreement.

ARTICLE IV
UNION DUES

4.1 A. Payment by Check-Off – Employees shall tender the initiation fee and monthly membership fees by signing the authorization for Check-Off of Dues form.

Check-Off Forms – During the life of the Agreement and in accordance with the terms of the Form of Authorization of Check-Off of Dues hereinafter set forth, the Employer agrees to deduct Union membership dues levied in accordance with the Constitution and By-Laws of the Union from the pay of each employee who executes or has executed the following Authorization for Check-Off of Dues form.

AUTHORIZATION FOR PAYROLL DEDUCTION

I hereby request and authorize you to deduct from my earnings the Union membership initiation fee, assessment and, once each month, the amount established by the Union as monthly dues. The amount deducted shall be paid to the Treasurer of the Union.

BY: _____
Print: Last Name First Name Middle Name

TO: _____
Employer Department

Date to Start Deductions: _____

Signed: _____

Address: _____

B. When Deductions Begin: Check-Off deductions under all properly executed Authorization for Check-Off of Dues forms shall become effective at the time the application is signed by the employee and shall be deducted from the first (1st) pay of the month and each month thereafter.

ARTICLE V
GENERAL CONDITIONS

5.1: Maintenance of Conditions. Wages, hours and conditions of employment legally in effect at the term of the Agreement shall, except as improved herein, be maintained during the term of this Agreement. The Employer will make no unilateral changes in wages, hours and conditions of

employment during the term of this Agreement. No employee shall suffer a reduction in such benefits as a consequence of the execution of the Agreement. This shall supersede such rules and regulations governing the Department of Police where such rules and regulations are inconsistent with the terms of this Agreement. All provisions of the City Charter, Ordinances and Resolutions of the City Council, as amended from time to time, relating to the working conditions and compensation of employees in the unit are incorporated herein by reference and made a part hereof to the same extent as if they were specifically set forth. No provision in this Agreement shall be construed as a guarantee of minimum staffing levels.

5.2: Management Rights. Subject to the provisions of this Agreement, the City Manager and the Chief of Police reserve and retain full rights, authority and discretion in the proper discharge of their duties and responsibilities to control, supervise and manage the City of the Village of Douglas and its officers; to determine and administer policy; to operate the Department and to direct its officers and otherwise retain all rights, authority and discretion which are exclusively vested in the City Manager and Chief of Police under governing law, ordinances, rules and regulations or as set forth in the Charter and/or Personnel Policy, the Constitution and Laws of the State of Michigan or of the United States.

5.3: Discharge or Discipline. No employee who has successfully completed a one year probationary period shall be discharged or disciplined except for just cause. The claim of any employee that he/she has been unjustly discharged or disciplined may be processed as a grievance. During said one year probationary period, an employee may be discharged with or without cause and neither the employee nor the Union may grieve said discharge. Discipline is primarily the responsibility of the Chief of Police subject to review and revision by the City Manager. The Chief shall draft suitable rules and regulations, written General Orders, and/or temporary orders to serve as guidelines and a framework within which the Department can effectively function as a police agency. The said Rules and Regulations shall define the levels of authority and responsibility, with a brief job description at each level, and shall contain a list of rules of conduct. It is understood that the list of rules is not intended to be exhaustive or be the only basis for discharge or discipline. Violations may result in disciplinary action up to and including dismissal from the Department. In imposing any discipline on a current charge, the Department may consider the employee's past record, not to exceed three (3) years prior to the date of the present infraction.

5.4: Bulletin Board. The Employer agrees to furnish and maintain a suitable bulletin board in a convenient place for the posting of Union notices and other employee and/or work related materials.

5.5: Meetings. The Union may schedule and conduct its meetings on Police Department property provided it does not disrupt the duties of the employees or the efficient operation of the Department.

5.6: Records. All records, reports and other information pertaining to a pending grievance for an involved employee shall be made available for inspection by the Union where the matter is one of internal discipline. Information developed through a departmental investigation for criminal prosecution shall not be made available to the Union.

5.7: Workers Compensation. All City employees are covered by Workers Compensation Insurance. If an employee is injured on the job, or contracts an occupational illness, the Employer's Compensation Insurance will provide for their medical care and for weekly benefits if disabled.

5.8: Retirement. All full-time employees will be covered by M.E.R.S. (Municipal Employees Retirement System) effective the date of full-time employment. Upon the effective date of this Agreement, all full-time officers will be at MERS Level B-3, F55/25 Plan. PROVIDED, however, that the employees will pay, by payroll deduction, the increased cost and contribution for an improvement to the MERS B-3 plan. It is understood that the current level of contribution is 1.57%.

Any change in that level of contribution will be determined by the parties in bargaining or by an actuary's evaluation, at the option of the City of the Village of Douglas.

5.9: Life Insurance. The Employer will provide its current employees, Fifty Thousand Dollars (\$50,000) of group life insurance coverage.

5.10: Work Schedule. The twelve (12) hour work schedule of the Police Department shall continue; however, on or before May 15th of each succeeding year, the Police Chief, City Manager and City Council shall make a determination as to the practicality of continuing such work schedule. If it is the Police Chief, City Manager and City Council's decision to discontinue the twelve (12) hour work schedule, they will so notify the Union on or before May 15th and they will meet and confer with the officers of the Union with the objective of working out a mutually acceptable work schedule.

5.11. Layoff and Recall. If, and when, it becomes necessary to reduce the number of employees in the workforce, probationary employees shall be laid off first. Then employees shall be laid off in inverse order of seniority, and they shall be recalled in their order of seniority. No regular full time employee shall be laid off from his/her position in the Police Department while any part-time or seasonal employees are serving in the same classification.

Employees returning from layoff shall be given a maximum of seven (7) calendar days to report back to work after notice has been sent by regular mail to their last known address on record.

ARTICLE VI GRIEVANCE PROCEDURE

6.1: The employee shall first request a meeting with his or her immediate supervisor and discuss the complaint and try to resolve the same. If the employee has no immediate supervisor, the Police Chief shall be the immediate supervisor.

6.2: If a meeting with the employee's immediate supervisor does not resolve the grievance, the employee or the immediate supervisor shall have fifteen (15) days following the first meeting to request a meeting with the City Manager or the City Council. A request for a meeting with the City Manager shall be filed by the employee with the City Manager, in writing, and shall state the specifics of the grievance and the outcome of the employee meeting with his/her immediate supervisor. The City Manager shall meet with the employee and his/her immediate supervisor with ten (10) days to hear the grievance and try to resolve the same. The results of the meeting shall be placed in the employee's personnel file. If the City Manager cannot resolve the grievance, the employee shall have the right to appeal the grievance to the City Council within fifteen (15) days from the date of the employee's meeting with the City Manager. The request for appeal to the City Council shall have attached to it the employee's written request to the City Manager, and shall also contain the results of the meeting with the City Manager. The City Council shall then hold a hearing within forty-five (45) days from the date the request for any appeal is filed with City Manager, and the City Council shall hear the employee, the

immediate supervisor, and the City Manager and shall make a decision on the grievance. The employee may be represented by Counsel, or may appear on his/her own behalf at the meeting. The Union shall have the right to appeal the City Council's decision to an arbitrator. In accordance with the procedures of FMCS, the Union may file a demand for arbitration within fifteen (15) calendar days after receiving the City Council's decision. Upon receipt of the list of arbitrators provided by the FMCS the parties shall alternately strike names from the list until one name remains, and such person shall become the impartial arbitrator to hear the dispute. The decision of the arbitrator shall be final and binding upon the parties.

6.3: The personnel file of any employee of the City shall be open to inspection to any member of the City Council, the City Manager, the employee's supervisor, or the employee himself or herself.

ARTICLE VII
EMPLOYMENT BENEFITS

7.1: Medical/Dental Insurance. The City of the Village of Douglas offers health insurance coverage for all full-time employees. Coverage will be offered after completing thirty (30) calendar days of employment with the City. Terms and conditions of insurance shall be stipulated by the insurance carrier at its own discretion according to the policy package adopted by the City. The City reserves the right to change insurance carriers and/or insurance coverage during the term of this Agreement at its own discretion provided that the coverage it provides is substantially equivalent to the coverage presently provided to the employees. Dental insurance (comparable and/or equal to that provided by the City of Saugatuck) shall be provided. The prescription co-pay is \$15.00 for generic drugs and \$50.00 for brand name drugs per prescription.

The Employer will establish a health insurance premium only cafeteria plan or its equivalent to all the employees to make their contributions with pretax or tax deferred funds as allowed by law. Commencing July 1, 2006, employee contributions will increase to thirty dollars (\$30.00) per pay period. Commencing July 1, 2008, employee contributions will be \$40.00 per pay period, and effective July 1, 2009, employee contributions will be \$50.00 per pay period. Commencing July 1 2010 employee contributions will be an amount equal to ten percent (10%) of the employee's annual health insurance premium paid equally over twenty-six (26) pay periods.

7.2: Holidays. Full-time employees shall be granted paid holidays which are:

1. New Year's Day
2. Memorial Day
3. Independence Day
4. Labor Day
5. Thanksgiving Day
6. Day after Thanksgiving
7. One-Half Day before Christmas Eve
8. Christmas Eve
9. Christmas Day
10. One-Half Day before New Year's Eve
11. New Year's Eve

It is understood that certain police work and maintenance work is necessary on some of the above holidays. Employees who are required to work on a paid holiday will be entitled to compensatory time off, except to scheduled employees who shall be paid at the rate of double time and on-half for twelve (12) hours worked. In case of a holiday falling on an employee's regularly scheduled day off, he/she will be entitled to a full day's wage compensation.

7.3: Vacation. Annual vacation is considered to be necessary as a period of rest and relaxation. It is recommended that the full vacation period be taken at one time for better efficiency on the job when the employee returns. After completion of one year of service, all full-time employees are entitled to the following vacation schedule:

After One Year	40 hours
2 to 5 years	80 hours
5 to 10 years	120 hours
10 years plus	160 hours

Should a holiday be observed on one of the employee's vacation days, an additional day of vacation with pay shall be granted. The City Council feels that vacation pay in lieu of time off will not be approved. Vacation is to be taken in one day or more segments, and the employee can carry over up to forth (40) hours of vacation. The Police Chief shall authorize all vacation time.

7.4: Sick Leave. Full-time employees shall earn one-half (1/2) sick day per pay period up to a total of thirteen (13) day per year, after completing thirty (30) calendar days of employment with the City. Employees shall be allowed to accumulate up to thirty (30) sick days. After accumulating thirty (30) sick days, employees will be allowed to accumulate an additional thirteen (13) sick days and will be paid annually, in December, for all unused days accumulated in that calendar year. Upon retirement or termination as a full-time employee, one-half of the employee's sick days will be paid to the employee. Sick leave may not be converted to time off or vacation. To be eligible for paid sick leave, the employees shall give notice to their supervisor or department head at least one (1) hour notice on the day of sick leave use. Exceptions may be made for extenuating circumstances. Records shall be maintained of sick leave taken and used, and paid sick leave in excess of three (3) days may require a signed doctor's certificate upon return to duty. Sick leave benefits are designed to help safeguard employee's health and the abuse of sick leave or falsification of requests shall constitute sufficient grounds for disciplinary action, up to and including discharge. If an extended illness will require an employee to be absent from their normal work duties for more than two (2) weeks, the City may seek a temporary replacement until the employee returns, up to a period of three (3) months. After that time, the City may consider permanent replacement.

If the City suspects abuse of sick leave, the City may require an employee to undergo an examination by a physician selected by the City at the City's expense at any time.

7.5: Funeral Leave. Full-time employees shall be allowed five (5) days with pay for time off in the event of the death of a spouse, child or parent; and two (2) days off with pay in the event of the death of a brother, sister, father-in-law, mother-in-law or grandparent. Exceptions for extenuating circumstances may be made with approval of the Department Head.

7.6: Other Leave. Full-time employees shall receive two (2) personal days per year. Personal days shall be used for such purposes as: doctor and dentist appointments, financial transactions, etc. Such

leave shall be requested for approval by the Department Head two (2) working days in advance. Unused personal days shall not be carried over or compensated for. Each day will be counted as twelve (12) hours.

7.7: Jury Duty. An employee serving on jury duty will be excused and the City shall pay the difference between the employee's regular pay and the pay received for jury duty.

7.8: Equipment Allowance. An equipment allowance, not to exceed \$600. per year will be provided.

7.9: Optical Insurance. The City shall reimburse each employee up to four hundred dollars (\$400.00) in any one year but not to exceed six hundred dollars (\$600.00) over two (2) years for vision expenses incurred by the employee and/or employee's dependents.

7.10: Insurance Opt-Out. An employee who is eligible for health insurance coverage through another carrier may opt out of the City's health insurance plan. The City shall compensate such employee at the following rates:

Single	\$150. per month
2 Person	\$230. per month
Family	\$300. per month

7.11: Tuition Reimbursement. The City shall reimburse an employee for up to two (2) classes each calendar year if such class is related to obtaining a degree in criminal justice or public administration. The employee must receive a grade of "B" or better to be reimbursed. Should an employee leave employment within one (1) year of receiving tuition reimbursement the employee will repay the City for such reimbursement(s).

7.12: Short Term Disability Insurance. Disability insurance will commence after thirty (30) days of disability and will continue for a period not to exceed one year. The benefit for the disability plan shall be \$600. per week.

ARTICLE VIII OVERTIME

8.1: Overtime will be paid at 1 ½ times the employee's base hourly rate for all hours worked in excess of 80 in any two (2) week pay period. The following guidelines shall be observed:

- A. Any and all overtime hours can only be worked by authorization by the Police Chief, or in his absence, the City Manager.
- B. The normal work period for the Saugatuck/Douglas Police Department shall be eighty (80) hours / fourteen (14) days.
- C. All vacation and compensatory time off approved in advance will count as hours worked for the purpose of overtime eligibility.
- D. Time off for sickness or injury, whether paid or unpaid, will not count as hours worked for overtime.

- E. An employee must work the last regularly scheduled work day before and the first regularly scheduled work day after a holiday to receive any premium pay for working on a holiday EXCEPT that previously approved vacation or compensatory time off shall count as time worked for the purposes of this section.
- F. There will be no daily overtime.
- G. Employees called in for additional work during a previously scheduled and approved time off period will be paid at the rate of 1 ½ time for all hours worked during that call in. They will be paid a minimum of three hours.

8.2: Field Training Officer. Field Training Officers shall be designated by the Chief of Police. Employees assigned to this position shall receive an additional one (\$1.00) dollar per hour to their straight time pay for the hours they are actually assigned to work in this capacity.

ARTICLE IX
WAGES

Full-Time Officers Wages

	<u>Start</u>	<u>Six Months</u>	<u>One Year</u>	<u>Two Year</u>
Starting Pay at 7-1-10	\$18.82	\$19.82	\$20.84	\$21.95
Starting Pay at 7-1-11	\$19.20	\$20.22	\$21.26	\$22.39
Starting Pay at 7-1-12	\$19.58	\$20.62	\$21.68	\$22.84

Sergeant Wages

	<u>Start</u>	<u>Six Months</u>	<u>One Year</u>	<u>Two Year</u>
Starting Pay at 7-1-10	\$20.04	\$21.09	\$22.82	\$23.36
Starting Pay at 7-1-11	\$20.54	\$21.62	\$23.39	\$23.94
Starting Pay at 7-1-12	\$21.05	\$22.16	\$23.97	\$24.54

All wages stated are per hour.

ARTICLE X
DRUG/ALCOHOL TESTING

10.1: Reasonable Suspicion. Testing of bargaining unit members for the presence of controlled substances or illegal drugs must be based upon the reasonable suspicion that an employee has consumed controlled substances or illegal drugs. The test must be requested by the Police Chief.

10.2: Standard for Determining Reasonable Suspicion.

- A. Reasonable suspicion shall be based upon specific objective facts and reasonable inferences drawn from those facts in light of experience and/or training.
- B. Where reasonable suspicion is based upon personal observation by a command officer, the objective facts must be articulable and may include the person's appearance and behavior.

- C. When an informant has supplied information, the informant's veracity, reliability and basis of knowledge will be relevant. If the informant is a member of the department in a lower ranking position, he/she may approach the Police Chief to provide such information, without regard to the normal chain of command.
- D. When another employee who is not a command officer has supplied information or has made a personal observation, his/her basis of knowledge will be relevant.
- E. The facts forming the basis for the reasonable suspicion shall be disclosed to the employee at the time that demand for testing is made, and the employee shall, at that same time, be given the opportunity to explain his/her behavior or actions. Provided, however, that in situations where drug testing is recommended, the employee shall be allowed to make such explanation to the Police Chief in person and further allowed to commit said explanation to written form, prior to the conducting of such test. The employee shall have the right to union representation. The employee shall not have a right to refuse to submit to the test.
- F. Within five (5) calendar days after the demand for testing, the facts forming the basis for reasonable suspicion and reasonable inferences drawn from those facts including employee's statement, if any, shall be reduced to writing, and a copy given to the employee.

10.3: Release from Duty. Any time an employee has been ordered to submit to a test based on reasonable suspicion, the employee will not drive a vehicle or perform any duty or function as a department employee, unless so authorized by the Police Chief or the designee. The employee will be compensated according to his/her collective bargaining agreement for all time spent in the testing process. Wherever possible, such testing process will be conducted during the employee's scheduled on-duty time.

10.4: Laboratory Tests. Arrangements will be made to transport the person taking the test to the hospital, medical office, clinic, or independent laboratory to perform the test. A proper chain of custody will be maintained on all test samples.

In case of urine testing for illegal use, the laboratory used must be certified by the National Institute on Drug Abuse (NIDA) or MLEOTC. The initial screening test will be conducted using the "EMIT" test. No disciplinary action shall be taken based on the initial screen test but, rather, may only be taken after a confirmation or follow up test has been administered. Confirmation or follow up tests will be conducted using the Gas Chromatograph/Mass Spectrometer. The sample will be retained (frozen) for up to one year for the purpose of further confirmation tests.

"Decision" levels are set sufficiently high enough so as to preclude any other possible reason for a drug's presence except illicit use. The following "decision" levels, reported in nanograms per milliliter, are proposed for deciding the point at which the presence of a drug on an EMIT test would be reported as positive, i.e., the point at which a confirmation test (GC/MS) would be required.

NIDA-5 (screen and GC/MS confirmation)

<u>Drug Group</u>	<u>Drug or Metabolite Detected</u>	<u>Initial Test level ng/ml</u>	<u>GC/MS confirmation</u>
Amphetamine	Amphetamine	1,000 ng/ml	500 ng/ml
	Methamphetamine	1,000 ng/ml	500 ng/ml
Cocaine metabolites	Benzoyllecgonine	300 ng/ml	150 ng/ml
Marijuana metabolites	delta-9-THC-9-COOH	100 ng/ml	15 ng/ml
Opiate metabolites	Codeine	300 ng/ml	300 ng/ml
	Total Morphine	300 ng/ml	300 ng/ml
Phencyclidine	PCP	75 ng/ml	75 ng/ml

If an EMIT test detects the presence of a drug above the "cut off" level but below the "decision level, the test results will be reported as "negative".

Upon completion of all testing, the employee shall be notified of the results of the testing as soon as is practical after the City receives such notification. If the results are negative, all records and reports concerning the test will be destroyed. If the results of confirmation testing are positive, the results will be reported to the Police Chief.

10.5 Disciplinary Action.

Grounds for Immediate Discharge. Employees will be subject to immediate discharge for the first offense in any of the following circumstances:

- A. Refusal to take a requested urine and/or blood (breath) test, including refusal to execute any required consent forms and/or refusal to cooperate regarding collection of samples.
- B. Drinking alcoholic beverages during working hours, during breaks, or lunch, or between shifts prior to scheduled assignments or assignments where an employee has notification he/she may be called in.
- C. Having a blood alcohol content of .04% or more during working hours, based on the test result and application of the recognized .015% per hour blood alcohol dissipation rate.
- D. Working or reporting for work when ability to perform is impaired by drugs. A positive drug test when confirmed by evidence of impairment during working hours, shall conclusively establish impairment.

- E. Possession, concealment, unlawful manufacture, distribution, dispensation, or sale of alcoholic beverages or prohibited drugs while on duty or on the City's premises.
- F. Conviction of any criminal drug statute.
- G. Violation of Rehabilitation and Last Chance Agreement. Depending upon the circumstances involved, including, but not limited to, the employee's work record, whether illegal drugs or other illegal activity took place, and any other relevant factors, the City will allow the offending employee's employment to continue pending successful completion of a rehabilitation program pursuant to an unpaid leave of absence. In such a case, the City may also require that any return to work by the offending employee will be based upon a "last chance" agreement containing provisions different from those contained in this document or any other City drug/alcohol abuse policy, procedure or work rule. After returning to work, the last chance agreement will provide that any failure for a subsequent drug/alcohol test will result in discharge.

10.6: Confidentiality. All testing records, records indicating reasonable suspicion of employee substance abuse, or records relating to rehabilitation or "last chance" agreements, and any other record concerning individual employee substance abuse, will be considered strictly confidential and will be available only to those person(s) involved in decisions concerning the affected employee.

10.7: The City recognizes that drug and alcohol abuse are treatable illnesses, and that the proper response to these illnesses is education, treatment and rehabilitation, not punishment.

10.8: No Waiver of Legal Rights. The parties agree that this program shall not diminish the rights of individual employees under State and Federal laws relating to drug testing.

10.9: Prior to accepting an assignment in the "drug-unit", and/or upon completion of an assignment in the "drug-unit", an officer will take a drug test.

10.10: Refusal by an employee to take a drug test, pursuant to paragraph (9) above, shall subject the employee to immediate termination.

ARTICLE XI DURATION

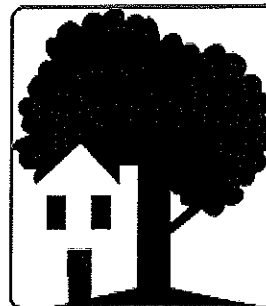
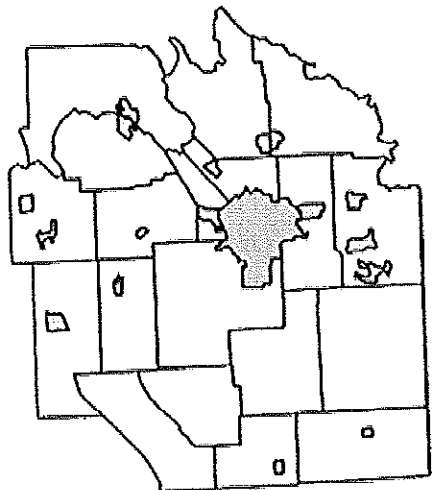
This Agreement will be effective from 12:00 a.m. the first day of July 2010 to 12:00 a.m. the 30th day of June, 2013, and from year to year thereafter unless terminated by written notice from either party, not more than one hundred twenty (120) days nor less than sixty (60) days prior to the automatic renewal date of this Agreement of their intention to amend, modify or terminate this Agreement.

If either party terminates this Agreement, both parties will make every reasonable effort to commence bargaining for a new Agreement within thirty (30) days of the date on which notice of Intention to Terminate was given. Each party shall have the right to add to, subtract from, or otherwise change any proposal made during such bargaining. Failure to commence bargaining by such time will not waive either party's right to bargain if the contract has been properly terminated.

Police Officers Labor Council

City of the Village of Douglas

THE FUTURE OF GOVERNMENT CONSOLIDATION IN UPSTATE NEW YORK



A REPORT TO SYRACUSE 20/20

Faculty Advisor: Prof. Vernon Greene



RECEIVED

JUL 20 2012

OFFICE OF LAND SURVEY &
REMONUMENTATION

Jason Feulner

Julien Hautier

Ben Walsh

June 2005



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EXECUTIVE SUMMARY

Section 1: Literature review

In the first section of this report, we identify the different theoretical arguments regarding the issue of the impacts of consolidation and compare them with empirical findings. Our report attempts to assess the relationship between consolidation and five dimensions of governance: efficiency, equity, accountability and responsiveness, political participation, and regional economic growth. The first section is in essence a review and update of Appendix A of the report "Governance in Erie County – A foundation for understanding and action" (1996), commissioned by the University of Buffalo Governance Project. This original report serves as a guide to governance issues that are relevant to many communities throughout Upstate New York.

According to public choice theorists, consolidation is inferior to the fragmentation of local governments. Larger governments are assumed to be less able than smaller governments to efficiently allocate resources according to the preferences of a heterogeneous population, thus reducing the satisfaction of citizens. In addition, reducing the number of jurisdictions also decreases the level of competition between jurisdictions and limits their incentive to provide public services at the lowest costs and services that better match preferences. Other scholars labeled as centralists or regionalists believe that the consolidation of services might lead to some economies of scale because of large-scale production which results in a more economical way to deliver services and increase technical efficiency. Unfortunately, empirical studies remain inconclusive with respect to the relationships between consolidation and cost reduction, consolidation and the amount and quality of outputs, and consolidation and production efficiency.

Regarding equity concerns, it is generally admitted that politically integrated systems may have greater potential for vertical and horizontal equity on the ground of ability-to-pay. In addition, city-county consolidation constitutes a way to make suburbs contribute to financing services located in the city that are used by all. Critics claim that consolidation might also result in a concentration of power in fewer hands and dilute the political influence of minorities and the economically disadvantaged, negatively affecting the political participation of disadvantaged community groups.



The issues of accountability and responsiveness also divide the academic community. Some believe that consolidation reduces the number of options where people can locate, thus limiting the competition between local governments as well as their responsiveness and accountability. On the other hand, a consolidated government may create clearer lines of accountability than more complex decentralized arrangements and thus empower citizens in the supervision of public officials and administration. Here again, empirical studies do not significantly contribute to clarify the theoretical debates.

Regarding the impact on economic development, some argue that consolidation will stimulate investments and the local economy by providing clearer rules and lines of authority, as well as simpler procedures for businesses, a more professionalized bureaucracy, more services, and less risks. Consolidation might also overcome the traditional lack of coordination between different governments and enhance the planning capacity of local government. Decentralist scholars argue that fragmentation is more likely to foster competition between jurisdictions, thus increasing the number of options and the bargaining power of private investors. It is likely true that the most critical factor that influences government is the quality of governance rather than the structure of government.

Section 2: Consolidation and Upstate New York

The second section of this report applies these concepts to Upstate New York. This requires an examination of the legal structure of the state. Models of city-county consolidation that have taken place throughout the country can provide important lessons, but few if any possess the specific logistical constraints that are present in New York State law. Recent efforts in Buffalo demonstrate that consolidation efforts in New York are fraught with difficulty. Political prudence is required in order to form a successful consolidation process that will meet with voter approval.

A consolidation between Syracuse and Onondaga County is possible, but it is unlikely that such a radical reformulation of local governance will constitute a single sweeping effort. Instead, governmental reform in the spirit of consolidation should be gradual and meaningful, utilizing the genuine desire of all local interests to provide better services to taxpayers throughout the region. Any consolidation effort in Syracuse should



recognize that cost savings is not always the best reason to engage in reform—quality of service is also what drives the satisfaction and well-being of citizens.

Regional economic planning is a noble goal of any consolidation movement, yet there are limitations to this vision. Consolidation will likely aid a local economy, although empirical evidence is mixed on this presumption. Proponents of consolidation must realize that long-term benefits of consolidation are difficult to convey and that voters will likely respond more positively to immediate and necessary changes brought by reform. A consolidation effort has to be gradual enough to address governmental concerns in the short-term, and flexible enough to address economic problems that are much broader in nature.

Political feasibility is at the root of any successful reform movement. After analyzing various case studies involving consolidation, as well as the lessons learned from the recent consolidation initiative of the City of Buffalo, we have formulated nine recommendations (see page 55) that will aid any group or individuals who wish to engage in consolidation efforts in Syracuse and Onondaga County. These general recommendations serve to:

- 1) Define the nature of a process that will help plan a successful consolidation movement;
- 2) Discuss frankly the required characteristics and objectives of the final consolidation product, as well as highlight the necessary limitations of such a consolidation;
- 3) Suggest what kind of a political atmosphere will help and not hinder a consolidation effort.

Many of the authorities on the subject of consolidation feel that governmental consolidation, especially city-county consolidation, is an issue that will soon come to the forefront in many communities around the nation. Syracuse and Onondaga County will serve their citizens well by exploring the issue in its entirety. While the most feasible first step for local consolidation might not take the form of a complete city-county merger, there are many incremental and politically-sensitive steps that can be taken which will benefit the region as a whole. The main theme in this report is that any degree of reform is possible, as long as it is implemented in an open and responsible manner.



LITERATURE REVIEW

Carr and Feiock (2001) emphasize that city-county consolidation has been subject to renewed attention the last couple of years, especially in the last decade, because of “pressures to achieve greater efficiencies in service provision, the necessity of protecting and/or improving local tax bases, and demands for increased responsiveness and accountability by local governments.” In addition, regionalism is expected to solve equity problems (Basolo, 2003). Our focus in the following review is to identify the different theoretical arguments in favor of and against consolidation that are based on the expected impacts of consolidation. We also compare those arguments with empirical evidence. The debate between the poles of consolidation and fragmentation has changed markedly in recent years with the emergence of neoprogressive arguments for the former (Lower, 2001). These developments deserve attention.

It is also important to note that the following section is in essence a review and update of Appendix A of the report “Governance in Erie County – A foundation for understanding and action” (1996), commissioned by the Governance Project at the University of Buffalo (see Appendix A). This 1996 report examines theoretical arguments and empirical findings on the relationship between local government arrangements and dimensions of governance. Our report attempts to assess the relationship between consolidation and five dimensions of governance: efficiency, equity, accountability and responsiveness, political participation, regional economic growth. The 1996 governance report provides a basis for our analysis.

Methodological Issues: Measuring Local Government Arrangements

The 1996 Appendix A outlines the difficulty of isolating the impacts of local government arrangements on the effectiveness of systems of governance from other factors. Definite conclusions about the relationship between government and the conditions of municipalities are not always readily apparent.

In addition, some methodological issues arise when one intends to measure local government arrangements. The extreme diversity of local government arrangements in the U.S. makes comparisons difficult. Metropolitan areas are characterized by an impressive array of differences in the role of county governments, the size and powers of special-purpose governments, the prominence of central cities within the metropolitan

area, and the degree to which various units overlap geographically and functionally. As a consequence, comparing two counties, cities, or units might be particularly impractical.

To measure local government arrangements, researchers generally rely on the number of local governments in a given area, the number of local governments per capita, and the number of local governments per land area (square miles). Despite low reliability regarding the definition of local governments' size, powers, or influence within an area, these categories are the most used because of their availability and because they can be computed and understood.

Mergers receive a great deal of attention because they represent change, but measuring change can be problematic. Discerning whether identical effects are the direct result of merger or other factors invites comparison, but there are few merged governments to study and compare. The 33 merged governments in the United States represent less than one percent of all counties, and even with these examples there are extreme variances in size, location, and age (Campbell and Durning 2000).

As a consequence, because of those methodological limitations and especially because of the limited number of cases, it remains difficult to make inferences from specific studies. We thus recommend to policy makers to consider the conclusions of empirical studies with caution and to carefully analyze their particular contexts before making any decision. The results of existing studies should be considered as relevant experiences but their results cannot always be generalized.

Impacts of consolidation on efficiency

Theoretical arguments

Efficiency is usually defined in two ways. First, a (public) service is considered efficient when it is provided in the quantity and quality (preferences) that people want (allocative efficiency). Second, the service has to be produced at the lowest possible cost, which can be expressed by using an optimized or minimal cost for a given quantity of services (technical or production efficiency). Given this, inefficiencies appear when one (or two) of these conditions is not met. For example, to produce at the lowest possible cost does not guarantee efficiency if the services produced do not correspond to people's preferences, and vice-versa.

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In theory, determining whether consolidation will lead to higher levels of efficiency rather than fragmentation is equivalent to comparing the advantages and disadvantages of both centralized and decentralized systems of governance.

Public choice theorists argue that the fragmentation of local governments allows higher allocative efficiency (Tiebout, 1956; Bish and Ostrom, 1973; Oates, 1972). The closeness of local governments to the constituency should lead them to make decisions that better reflect local preferences and allocate resources more efficiently. This argument was further developed by Oates (1972), who considers the ability of local governments to tailor public goods to match local tastes a justification for local provision of public services. This local justification does not hold, however, if local government efficiency is outweighed by spillovers or economies of scale in more centralized systems. But what really matters is the degree of homogeneity of the locality rather than its size. This argument rests on the assumption that the smaller the jurisdictions, the higher the homogeneity of preferences within the locality and, in turn, the greater the match between people's preferences and the kind, quantity and quality of services provided. High homogeneity is expected to lead to high efficiency and high level of satisfaction of the population. In addition, decentralized systems offer more opportunity for competition between fragmented local governments with potential efficiency gains.

The competition of local governments to attract individuals entails the provision of public services at lower costs as well as services that better match preferences. Tiebout (1956) assumes that individuals face no mobility restrictions and zero moving costs, so they rationally choose to locate in a community that maximizes their preferences for local services, encouraging a desirable competition. As a consequence, "fragmented governments respond to varying preferences among residents of different communities, enabling citizens to "shop" among localities and "buy" the one which provides the lowest tax price for the services desired"" (Leland and Thurmaier, 2000).

According to public choice theorists, fragmented local governments are thus expected to increase technical/productive and allocative efficiency and benefit the constituency. Following these lines of thought, city-county consolidation would limit competition between localities and undermine efficiency. In addition, the dilution of each *individual* efficiency gain or loss (due to the increase of the population within the

consolidated jurisdiction) reduces the impact of inefficiencies or efficiency gains on each citizen, and in turn limits individual incentives for asking for improvements.

Other scholars that might be identified as centralists or regionalists consider that the consolidation of services might lead to some economies of scale because of large-scale production which results in a more economical way to deliver services (Leland and Thurmaier, 2000) and increase technical efficiency. However, the achievement of such economies of scale depends on the characteristics of the service. Economies of scale might not automatically be produced. For some services, especially those with a limited share of overhead costs, consolidation might not result in significant cost savings. The more capital-intensive the service is, the higher the opportunities for obtaining economies of scale. Additionally, large units of government may also suffer from diseconomies of scale, that is, because they are too large for cost-effective service delivery.

In practice, proponents argue that consolidation would result in cost savings. Consolidation should allow limiting the possibilities of duplication of services by diminishing the size of the bureaucracy and overhead costs. This happens because the city as well as the county provides similar services such as street, road and bridge maintenance, water, sewer, mass transit, park maintenance, recreation opportunities and economic development. In addition, local governments have administrative divisions that perform similar tasks such as purchasing, payroll, word processing, budgeting, personnel, vital statistics and property recordkeeping. By merging these services and administrative units, economies of scale and cost savings are expected.

In addition, larger governments may have a greater ability to internalize externalities, which are byproducts (either positive or negative) associated with the provision of services that goes beyond the borders of small localities. For example, a local school district may provide education services beneath the optimum level because positive externalities (additional social benefits) for the entire society or region are not taken into account. On the contrary, small localities might overproduce pollution – an example of a negative externality, because negative impacts for the larger area are not considered.

As a consequence, consolidation offers more opportunities for economies of scale and for internalizing externalities within broader boundaries. It is important to keep in mind, however, that the extent of economies of scale depends more on the characteristics



of the services provided such as the degree of capital or labor intensities. Similarly, efficiency gains associated with consolidation also remain on the intensity of externalities associated with each different service. Collaboration of local governments, which is often problematic in fragmented arrangements, might also be a way to internalize externalities and realize economies of scale.

In theory, consolidation would likely reduce allocative efficiency and inter-jurisdictional competition but, on the other hand, provide significant opportunities for economies of scale and internalization of externalities. In practice, the optimal system of local government arrangements will depend on the degree of homogeneity of resident preferences, the nature of services provided, the presence and intensity of externalities, and the level of competition. Consolidation will theoretically increase efficiency if economies of scale and externality considerations outweigh service preference and competition factors.

Empirical Evidence

Empirical studies are mainly characterized by their scarcity. Campbell and Coleman Selden (2000) mention that "very few studies have examined the impact of city-county consolidation." Similarly, Carr and Feiock (2002) outline the limitations of the current literature. The few empirical studies that have been published, however, provide some interesting findings regarding the relationship between local governance arrangements and per capita costs of service delivery—the traditional measure of efficiency. These empirical studies produce as many contradictory results as the theories do.

The greater the number of multi-purpose governments in an area, the lower the amount of government spending on services (Adams 1965; Isserman 1976; Sjoquist 1982; Nelson 1987; Schneider 1989). This finding bolsters the theoretical argument that competition impacts on costs outweigh economies of scale. In this sense, consolidation would result in higher per capita costs of service delivery.

Nevertheless, for single-purpose governments, the greater the number of units of government in a given area either has no effect or leads to higher *per capita* costs for services these units provide (Nelson 1986; Nelson 1987; Eberts and Gronberg 1988). There are several possible explanations to this finding. What it suggests about consolidation is that when multiple special-purpose governments do provide the same

service in an area, the possible erosion of economies of scale might outweigh cost reductions realized through greater competition. Consolidation of functional agencies—the equivalent of single-purpose governments—would lead to important economies of scale and greater efficiency. Additionally, competition between jurisdictions in practice might result in a misallocation of resources such as the attribution of excessive public subsidies to the private sector (Carr and Feiock, 1997).

At the same time, results are inconclusive with respect to whether fiscally centralized or decentralized areas (measured by the share of higher-level government spending to total higher- and lower-level government spending) spend more per capita for services. The outcomes of studies are often contradictory, some concluding that there are higher government expenditures in fiscally decentralized systems, and vice-versa (See: Nelson 1986; Oates 1985; Giertz 1981; Wagner and Weber 1975; DiLorenzo 1983; Zax 1989; Dolan 1990). The effect of consolidation on government expenditures and taxes is uncertain.

It is also important to highlight the fact that many studies failed to find strong relationships between consolidation and cost reduction, consolidation and the amount and quality of outputs, and consolidation and production efficiency (Parks and Whitaker 1973; Sjoquist 1982; Dolan 1990; Schneider 1989; Ostrom 2000). Some studies, however, claim that costs are indeed reduced (Stephens and Wikstrom 2000). The National Research Council, which commissioned a review of this subject, concluded that “there is a general agreement that consolidation has not reduced costs (as predicted by some reform advocates) and, in fact, may have even increased total local expenditures” (Altshuler et al. 1999, 106). Savitch and Vogel (2004) state that a number of studies verify this proposition. Campbell and Coleman Selden (2000) explain that those results are not surprising since local government services tend to be labor intensive, which limits the possibilities for economies of scale.

Despite their general usefulness, case studies provide little reliable evidence of the relationship between consolidation and cost saving. In Appendix A of the 1996 report on Erie County, we find that “before and after” studies of metropolitan reorganizations reveal higher per capita costs for regionalized services following consolidation (Gusteley 1977, Cook 1978; Benton and Gamble 1984). In Miami-Dade County (Florida), Metropolitan Toronto, and Jacksonville-Duval County (Florida), three areas that either

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formed two-tier federated governments or underwent city-county consolidation, per capita costs increased for regionally provided services (e.g., police and education), while there was no change in expenditures for locally provided services (e.g., sanitation). On the other hand, Campbell and Coleman Selden (2000), in their case study, found that expenditures in Athens–Clarke County increased at a rate noticeably lower over the same eight-year period than in the three unconsolidated city-county governments in Georgia in both the short and long term.

The identification of higher costs after consolidation is attributed in part to the "leveling up" phenomenon in which post-consolidation spending levels are set equal to the highest pre-consolidation levels in individual jurisdictions prior to the reorganization (for salary and fringe benefit packages, for example). An alternative explanation is that the purpose of city-county consolidation was not cost savings but rather improved services, which tend to cost more. Reforms also generally imply short term costs of design and implementation. This suggests that the expected cost savings from possible economies of scale should be balanced with short term costs of reforms. In the case of highly labor-intensive services, short term costs might exceed economies of scale and undermine the arguments in favor of consolidation based on costs savings.

Consequently, cost saving opportunities, especially in the long term, are mainly contextual and depend on the design and implementation of the new government. For instance, Leland and Thurmaier (2000) suggest that when there is little redundancy in the provision of services and administrative functions, cost saving opportunities might be limited. We might then outline three important conditions under which economies of scale are achieved:

- Most departments of the consolidated governments perform similar functions. This is often the case with administrative departments such as procurement and budgeting, personnel management, etc.
- The consolidated governments provide many similar services.
- Most services are capital intensive as opposed to labor intensive. Nevertheless, local governments tend to provide labor intensive services, such as road and park maintenance, more efficiently.

In those conditions, merging services or administrative departments should lead to important economies of scale and higher levels of efficiency.

There is also the issue of satisfaction. Efficiency is not only measured in terms of monetary costs. Officials in consolidated areas often laud the ability to plan an agenda in a unified manner, eliminating the bickering and territorial infighting that can make government appear inefficient and cumbersome (Fleischmann A. 2000). Overall, it seems that citizens are often more satisfied with services in a consolidated government (Lowery, 2001), but this might be attributed to the quantity of services provided. Consequently the wisest conclusion should be that satisfaction did not vary systematically when comparing consolidated versus non-consolidated government.

Impacts on equity

Theoretical arguments

As stated in Appendix A of the report on Erie County, questions of equity focus on the distribution of resources across groups by neighborhood, race, age, gender, income class, and location within a city, suburb, or rural area. Equity might be defined in different ways. The ability-to-pay criterion holds that persons with equal ability to pay should pay equal taxes (a standard known as horizontal equity), and persons with greater ability to pay should pay more taxes than those with lesser ability (known as vertical equity). On the other side, the benefits criterion, sometimes referred to as fiscal equity, holds that persons should pay taxes or fees in proportion to the services received. The two different measures of equity might lead to contradictory judgments on the impacts of governmental reforms on equity. In addition, reforms might be assessed according to their impacts on intra or inter-jurisdictional disparities, between individuals or between jurisdictions.

Fragmentation of local government arrangements hinders the redistribution of resources and fosters vertical disparities. Tiebout's theory on the benefits of people's mobility implies undesirable consequence in terms of equity inasmuch as people with the same amount of wealth will concentrate in the same areas. For example, the richest households will be able to live in localities where taxes are high but the provision of public services is in good quality and abundance. On the opposite side of the spectrum, poor people will concentrate in deprived localities, resulting in high inequalities between jurisdictions. This makes vertical redistribution difficult in a fragmented system.

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On the other hand, larger jurisdictions are more likely to undermine horizontal disparities. There is a greater probability that two persons or households with identical resources will pay the same in taxes if they live in the same jurisdiction than if they live in different ones (horizontal equity). Sometimes, those living in poorer municipalities actually pay proportionally more taxes than in richer jurisdictions because the level of services needed due to at-risk children, higher crime rates, and public transportation dependency necessitate the delivery of services that wealthier families do not need. Concurrently, there is an incentive among some municipalities to keep poor people out, since they are often more in need of government-funded services (Altshuler et al, 1999). It is generally admitted that politically integrated systems may have greater potential for vertical and horizontal equity on the ground of ability-to-pay.

In terms of general benefits, local governance arrangements may also have an impact on equity according to the location of services. In general, most services are located in the city and benefit not only the inhabitants of the city but also inhabitants of the areas surrounding the city. In this sense, city-county consolidation constitutes a way to make suburbs contribute to financing services located in the city that are used by all. Metropolitan renewal advocates, such as Rusk (1994, 1995) and Peirce (1993), contend that consolidation allows making those who have abandoned the inner city once again take responsibility for it. In particular, Rusk and others see an “elastic” central city being able to draw in the suburban interests and spread out the urban, creating greater opportunities to alleviate economic, social, and racial disparities (Fleischmann A. 2000). For an ailing inner city, unifying its tax base with nearby wealthy suburbs represents an opportunity for revitalization (Leland and Thurmaier, 2000). Consequently, consolidation might be generally seen as a redistributive policy between households and jurisdictions.

Additionally, politically decentralized metropolitan areas tend to result in higher levels of segregation. Planning and zoning provide a community with the legal power to insulate itself and exclude “undesirable outsiders,” thus strengthening disparities.

Equity, in its broad meaning, also implies an equal redistribution of political power and representation. Savitch and Vogel (2004), argue that consolidation might undermine the equal representation of the different citizen groups. “Consolidations have an operative quality that magnifies the influence of some groups and diminishes the presence of others” (From Savitch and Vogel, 2004). These authors believe that

consolidation will result in the concentration of political power in the hand of a smaller number of politicians and officials who might increase their strength within the locality and improve their influence at other levels of government. Additionally, minorities might be diluted in larger jurisdictions and lose influence on the decision-making processes. Some studies have also focused on the degree of influence African-American communities have on local decisions in consolidated local governments. (Carver 1973; Robinson and Dye 1978; Swanson 2000). The African-American responses to consolidation efforts have varied from case-to-case, suggesting that pre-existing racial conditions in a community might drive the need for reform, or in fact impede it (Joe Stefko, 2002, p. 286).

Empirical Evidence

Analyzing studies dealing with equity issues is not an easy task since different studies do not compare the same governments units or do not use the same concept or measurement of equity. Variations in dependent variables that make the measurement of efficiency between differing municipalities difficult also affect the issue of equity (Aischuler et al, 1999).

Some findings confirm the idea that consolidation limits the opportunities for implicit segregation policies. Hill (1974) found that the variation in income levels across jurisdictions increases as the number of jurisdictions in an area increases. Fragmentation is thus expected to strengthen segregation and disparities between localities. Additionally, given fiscal systems and planning laws, political fragmentation facilitates segregation at the jurisdiction level (Danielson 1976; Miller 1981; Logan and Schneider 1981; Weiher 1991; Rusk 1993).

Nevertheless, other studies conclude that consolidation appears to have a limited impact on the redistribution of resources. For instance, Savitch and Vogel (2004) found that consolidation had no effect on socioeconomic disparities in Louisville. Residents of poorer sections of a greater consolidated municipality may in fact see their tax base exploited to pay for improvements that benefit wealthier citizens who use the city for recreation. This phenomenon has been reported in Indianapolis (Rosentraub 2000; see also Powell 2000, 236-237) and in Phoenix (Guhathakurta and Wichert 1998), which is the city most often cited by Rusk as a model for elastic consolidation (Parks and Oakerson, 2000).



In regard to the distribution of political power, Leland and Thurmaier (2000) in their study of the Kansas City–Wyandotte County consolidation, point out that consolidation planners involved minority interests in the process and promised them voices in the new government. Despite these efforts, consolidation did not guarantee a fair redistribution of political power. The experience of the Kansas City–Wyandotte County consolidation indicates that consolidation, even when planned to increase representation, does not always do so. In examining election results in three consolidation cases in Nashville, Jacksonville, and Indianapolis, Stefko (2002) finds that the results are mixed, although they do not lend themselves to supporting the notion that blacks experience either a gain or a loss of political influence due to consolidation (Stefko, 320). This explains why other scholars argue that consolidation might also lead in practice to a higher concentration of political power among those existing elites who have the most resources to procure and maintain it (Savitch and Vogel, 2004). In this sense, consolidation is not free from the potential to undermine citizen participation and local democracy.

Impacts on accountability and responsiveness

Theoretical arguments

Some contend that decentralized government arrangements prompt governments to respond more closely to citizens' preferences rather than more centralized systems. This outcome is the result of the possibility for citizens to "vote with their feet" (Tiebout, 1956), that is to move to another locality that better satisfies their preferences. Consequently the threat of exit, and in turn, the degree of political responsiveness depends on the scope of available options. In this sense, consolidation would reduce the number of options and the competition between local governments and could result in lower accountability and responsiveness.

Other scholars expect that consolidation will improve accountability. Because different local governments might work in the same area, their respective responsibilities might be less visible for the constituency. A consolidated government may then create clearer lines of accountability than do more complex decentralized arrangements and thus empower citizens in the supervision of public officials and administration. This argument contradicts the notion, often trumpeted by opponents of metropolitan government or

service consolidation that big government equates to big bureaucracy, which equates to diminished accountability and responsiveness to citizen concerns.

Empirical Evidence

Because responsiveness and accountability are concepts that are difficult to measure, analysts tend to substitute consumer satisfaction as a proxy. The only study that intends to examine consumer satisfaction levels across places distinguished by local government arrangements is the study done by W.E. Lyons, David Lowery, and Ruth Hoogland DeHoog (1992). In their comparison of service satisfaction levels for persons living in carefully matched neighborhoods in pre-consolidation Louisville, Kentucky, a politically decentralized metropolitan region (later consolidated in 2003), and Lexington-Fayette County, Kentucky, a consolidated city-county metropolitan area, these authors found that:

- Other factors such as service levels and personal characteristics and maybe historical events and the quality of local leadership, rather than local government arrangements, determine service satisfaction levels.
- Citizens in politically consolidated areas appear to be more satisfied with services than were citizens of localities in the decentralized system mainly because of by the higher number of services provided by the larger regional government. Consequently, consolidation by increasing the size of local governments might indirectly improve service satisfaction. On the other hand, this result does not allow us to make conclusions about the degree of responsiveness and accountability of consolidated governments versus fragmented ones.

Unfortunately, this issue has not been subject to recent and significant theoretical and/or empirical research. We have to acknowledge that more research on this issue is required.

Impacts on political participation

Theoretical Arguments

At the local level, citizens have a variety of options to participate in local processes including "exit" (leaving the jurisdiction or opting for private services rather

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than public offerings) and "voice" (attending meetings, contacting officials, organizing petitions, and so forth). The literature also refers to other more passive options for participation which are "loyalty" (tolerating inferior government programs or policies and trusting public officials to work things out) and "neglect" (disregarding the community, ignoring public issues, and giving up on government's ability to work things out).

Kelleher and Lowery (2004) provide an extensive review of works on consolidation and political participation. The two main opposing arguments are the idea that "small is beautiful" and that larger metropolitan governments facilitate better political participation. In the comparison of a decentralized versus a centralized system, a basic argument is that small-scale democracy is more likely to promote participation because of the proximity of the different actors. In addition, smaller jurisdictions might enhance the homogeneity of communities and simultaneously reduce barriers to participation. If one looks less to "voice" than to the signals sent implicitly or explicitly via "exit," one concludes that availability of a large number of local jurisdictions within a metropolitan area to which voters might migrate should improve their ability to participate in political process (Tiebout, 1956; Ostrom, Kelleher, Tiebout, and Warren, 1961; Fischel, 2001; Schneider 1989).

On the other hand, larger metropolitan government structures may promote higher rates of political participation generally and higher turnout rates (voice) more specifically. Besides community-level participation, an effective democracy also requires the greater resources and broader outlook of a larger-scale government. Many scholars argue that fragmentation prevents citizens from discussing, and acting upon crucial issues such as sprawl, racial segregation, growth management, unemployment, and economic development (Dahl, 1967; Rusk, 1995; Downs, 1994; Massey and Denton, 1993; Orfield, 1997; Waste, 1998; and Drier, Mollenkopf, and Swanstrom, 2001). Demographically heterogeneous communities should produce more conflicts of interests, thus creating strong incentives for political leaders to mobilize their supporters and for citizens to defend their interest and to participate in political decision making processes (Deutsch 1961; Verba, Schlozman, and Brady, 1995; Oliver, 2000). Consolidation, as opposed to fragmentation, is more likely to produce heterogeneity by integrating the entire metropolitan area (Oliver 1999; Weiher 1991; Downs 1994; Rusk 1995; Massey and Denton 1993; Orfield 1997; Waste 1998; Drier, Mollenkopf, and Swanstrom 2001). Third,

some scholars argue that citizens in larger areas tend to psychologically be more attached to their community and thus more prone to political participation.

Empirical Evidence

The conflicting results from empirical studies on the relationship between government size and political participation encourage us to take the different conclusions with some precautions (Kelleher and Lowery, 2004). Earlier studies have provided quite mixed results (Fischer 1976; Kasarda and Janowitz 1974), some concluding that even large cities have proven to be quite innovative in fostering new means of participation (Berry, Portney, and Thomas 1993).

In 1993, Berry, Portney, and Thomson in a study of citizen participation in 15 U.S. cities (including Buffalo) found that demographic as well as socio-economic characteristics do not explain differences in levels of participation in community organizations. However, Lyons, Lowery and DeHoog (1992) conclude that residents of politically integrated government systems are more knowledgeable about which services are provided by their local governments than are residents of jurisdictions in fragmented systems. Consequently, city-county consolidation may create favorable conditions to improve the effectiveness of political participation, which are the establishment of clearer lines of accountability. In addition, Lowery, Lyons, and DeHoog (1992), in a comparison of survey responses in five pairs of matched neighborhoods in a consolidated and a fragmented metropolitan setting, found that psychological attachment to the community was much stronger in the former, which in turn increases the likelihood that citizens will be engaged with local issues and participate in local politics (Kelleher and Lowery, 2004).

On the other hand, Kelleher and Lowery found that citizens in fragmented local government arrangements are slightly more likely to consider exit as a means of expressing dissatisfaction with government than are residents of politically integrated regions. In this sense, consolidation would limit the scope of available instruments for citizens to express their dissatisfaction on local governments. Nevertheless, because exit options are attenuated, residents of consolidated systems might be more likely to use voice and loyalty forms of participation.

Finally, the most recent study on this issue indicates that municipal size per se has no influence on the level of political participation (Kelleher and Lowery, 2004). In

addition, the same authors state that the concentration of local civic competence within an urban county promotes turnout under the condition that other municipal location options are limited to avoid dissatisfied people to flee. Scholars consider that “moving either toward greater fragmentation with less concentration or toward less fragmentation with greater concentration could improve local political participation.” These authors conclude that despite the fact that the latter strategy might be more effective, fragmentation as a way to promote political participation appears to be an ineffective strategy.

Impacts on economic development

Theoretical Arguments

Economic growth, especially in stagnant or declining regions like Upstate New York, stimulates the debate on the reform of local government structure. Proponents of regional government argue that politically integrated arrangements are more likely to attract new (or retain existing) population and business growth. Their main arguments rely on the assumption that initiatives such as consolidation will stimulate investments and the local economy by providing clearer rules and lines of authority, as well as simpler procedures for businesses, a more professionalized bureaucracy and less risk (Barlow, 1991; Cox and Nartowicz, 1980; Lind, 1997; Ward, 1987). In addition, consolidation reduces the limitations due to a lack of coordination between different governments and enhances the planning capacity of local government (Carr and Feiock, 1997). Centralized systems also possess a larger pool of human, material and financial resources which provide them a higher ability to offer a wider variety of services to residents and businesses than can governance systems comprised of relatively small, resource-limited, sometimes part-time-staffed municipalities (Felbinger, 1984; Frisken 1991). In the same way, Carr and Feiock (1997) add that consolidation improve the legal power of local government and their ability to attract business. Finally, consolidation is generally perceived as a sign of dynamism by businesses.

On the other side, decentralist scholars argue that politically decentralized government arrangements are a magnet for economic growth and investment. The main argument is that fragmentation is more likely to foster competition between jurisdictions, thus increasing the number of options and the bargaining power of private investors.

Fully understanding this argument also entails that local governments lose power over the private sector.

The relationship between the structure of local governments and the localization and dynamism of businesses is difficult to establish and, at best, indirect. Economic development is often associated to the quality of governance. Nevertheless, it is necessary to look at intermediary variables such as tax burden as well as the level and quality of public services in order to determine the relationship between consolidation and economic development. Finally, the quality of governance rather than the structure of government might be the critical factor that influences economic development.

Empirical Evidence

In 1999, Nelson and Foster stated that empirical evidence linking governance structures to income growth is scant and inconclusive which encourages advocates to rely on theoretical allegiances and provide little guidance to voter and policy makers on this issue. Therefore, no further significant advance has been made.

The main issue in trying to assess the relationship between local government arrangements and economic growth is to isolate the impact of the former since economic development is determined by many other factors.

Empirical studies show no strong relationship between consolidation and economic development. Nelson and Foster (1999) highlight some positive association between city-county consolidation and income growth, but conclude that the association is not statistically significant. Foster (1993), in a cross-sectional study of population growth rates in 129 large metropolitan areas, found inconclusive results linking political structure to economic growth. In a similar fashion, Carr and Feiock (1997) avoided rejecting the hypothesis that consolidation may improve the planning capacity and the legal, jurisdictional, and financial resources of local government, yet their analysis did not help showing significant increases in manufacturing, retail, or service-sector growth following the consolidation of Jacksonville/Duval governments. The same authors in 1999, in a study of 18 consolidated city/counties, also failed to identify any relationship between economic development and consolidated governments.

Empirical studies generally conclude that local economic growth is associated with different factors from government reorganization. Economic development might rather be more strongly related to broader economic trends or to regional prosperity as



suggested by Blair and Zhongcai Zhang (1994). Savitch and Vogel (1995) recommended that, to be efficient, local development programs need to be implemented at a regional level. They almost completely deny the role of cities and suburbs in providing the necessary assets for economic development. Savitch and Vogel (2004) also state that investors' decision of their business location depends more on the size of local markets rather than on municipal boundaries.

Case study research reveals strong support by business interests for regionalized government (Crosby and Bryson 1995; Greer, 1963; Fleischmann, 2000; Lyons, 1977; Temple 1972; Rosenbaum and Henderson 1973). For instance, Carr and Feiock (2002) indicate that the Chamber of Commerce and real estate developers were among the most frequently identified supporters in the initiation of the issue in the 25 communities they investigated. The study of Edwards and Bohland (1991) confirms that consolidation, whether it promotes growth or not, is perceived by people and business as favorable to economic development.

Conclusion

Despite the fact that the previous analysis does not provide clear-cut responses in terms of the impacts of consolidation, it is critical for any decision maker to build a frame of analysis on the basis of those arguments and to apply these frames to a particular context. The main problem in analyzing consolidation is that many theoretical arguments are contradictory and rest on different types of assumptions. Empirical studies demonstrate limitations in clarifying the debates. This is understandable given the very small number of consolidation cases that have occurred in the U.S. The use of different methodologies and indicators do not serve one well in an effort to understand these complex topics.

Policy makers should not expect any dramatic cost savings from consolidation and should avoid using the argument of cost saving as the main benefit of reform. This is not to say that fragmentation is more efficient. Appendix A emphasizes that "politically decentralized arrangements may have the edge with respect to efficiency," but there are no claims that the difference is significant. In order to gain a clearer picture of the issue, a systematic analysis of the degree of homogeneity of resident preferences, the nature of services provided, the presence and intensity of externalities, and the level of competition will help define the optimal system of local government arrangements.

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It is important to recognize that larger units of government provide more opportunities for active distribution policies, for internalizing externalities and coordinating efforts to promote economic development. The realization of such opportunities, however, rests on the motivations and responsiveness of decision makers and on the ability of the civil society to participate in political processes. Consequently, since consolidation increases the power of a few elected officials and dilutes the political influence of some group, especially minorities and the economically disadvantaged, the design of consolidation will determine the degree of equity. While the economic benefits of consolidation are unclear, the perception among businesses is generally favorable, perhaps inducing a more positive economic atmosphere.

Since efficiency will hardly be a consistent criterion in favor or against consolidation, the final decision to engage in consolidation activities might be based on value judgments regarding equity, political representation issues, and geographic identity. These conclusions are similar to what is found in Appendix A of the Governance Report. Any consolidation effort must consider both sides of the argument in order to ascertain whether consolidation, or what type of consolidation, is the right choice for a given region.



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CONSOLIDATION IN NEW YORK STATE

Upstate New York communities find themselves under immense fiscal pressure. While cities such as Rochester and Albany managed to weather the storm of economic decline over the past thirty years better than some of their Upstate counterparts, all Upstate cities currently find themselves dealing with similar financial problems. For example, the City of Buffalo is currently under the fiscal control of the State after years of insolvability. The City of Syracuse, although able to recently pass its budget for FY 2006, was only able to do so because of a significant amount of aid promised by New York State. Most New York State municipalities depend on state aid to balance their budgets, and should the State decide to limit or cut current levels of aid, almost every municipality would find itself in a complete financial crisis.

Financial pressures faced by New York State municipalities include declining tax bases, escalating healthcare and employee benefit costs, limited state aid, various state and federal mandates, and the need to support new security measures. The notion of "smarter" government is at the forefront of local government reform efforts as a means to achieving long-term fiscal stability. New York State is comprised of more than 2,300 local governments, including counties, cities, towns, villages, and school districts, and these overlapping layers of government are vulnerable to certain inefficiencies. Intermunicipal cooperation and consolidation are viewed as valuable tools for communities to maximize available resources, while at the same time save money and improve services. The current consolidation efforts in the City of Buffalo serve as a valuable resource for other Upstate cities contemplating similar actions, and by analyzing Buffalo's accomplishments and shortfalls, New York State municipalities will stand to benefit from important lessons learned.

Intermunicipal Consolidation: Legal Framework in New York State

New York State views cooperation as the act of two or more local governments working together to provide a service for the benefit of all municipalities involved. This type of cooperation is achieved through either service agreements or joint agreements. A service agreement is achieved when one local government contracts to provide a service to another local government for an agreed upon charge. Joint agreements involve two

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municipalities sharing in the provision of a particular service. Local governments are able to realize many benefits through cooperation agreements because they are maximizing their available resources.

Intermunicipal consolidation can occur on several levels. First, consolidation can occur at the service level when a local government chooses to combine two functional departments, such as building and code enforcement. Second, it can also involve two separate local governments merging functions in a particular area, such as city and county purchasing departments. Finally, consolidation can involve the merging of entire local governments, as seen in a metropolitan form of government. Most recently, the consolidation efforts in the City of Buffalo have primarily revolved around the creation of a metropolitan form of government, or a “super” county. The Greater Buffalo Commission has proposed legislation in the New York State Legislature that will facilitate the creation of a statutory authority for a merger. Should local governments in Upstate New York, and specifically in Syracuse, expect to follow Buffalo’s lead on consolidation, it is necessary to examine the legal requirements and ramifications of such an effort.¹

If local governments in Upstate New York, and specifically the City of Syracuse, choose to follow the Buffalo model for consolidation, the current structure of New York State law will have to be adjusted. The legislation proposed by the Greater Buffalo Commission, as it is currently written, will facilitate the creation of a statutory authority for a merger between the City of Buffalo and Erie County. The problem for Syracuse and other municipalities in the Upstate region is that the proposed legislation is specific to the Buffalo region. It is therefore necessary for the Legislature to enact much more comprehensive legislation that would apply to all Upstate municipalities, as opposed to site-specific legislation. In addition to legislation enabling local governments in the State to facilitate the creation of a statutory authority for mergers, David Rusk, an independent consultant on urban and suburban policy has laid out additional steps in his Upstate New York report (see Appendix B) the Legislature could take to facilitate the restructuring of local governments.

¹ “Intermunicipal Cooperation and Consolidation” Office of the New York State Comptroller, Alan G. Hevesi, 11/20/03.

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According to Rusk, the legislature must:

- empower county government to develop comprehensive, county-wide land use and transportation plans that will curb urban sprawl and channel investment back towards core cities, villages, and inner-ring towns;
- require municipal governments to conform municipal plans and zoning maps to the county-wide plan;
- direct such comprehensive plans to incorporate a fair share plan for balanced housing development, serving all levels of the workforce throughout all municipalities;
- empower county government to issue bonds against the county-wide tax base for all growth-supporting infrastructure investments of regional significance;
- empower county government to issue bonds against the county-wide tax base for purchase-of-development rights to preserve valuable farmland and to secure open space;
- authorize county government to be the only local government that can approve tax abatement and other local financial incentives for economic development; and
- institute a county-administered system of tax-base sharing so that all municipalities will share in the revenues generated by regional economic growth.²

In order to achieve such far-reaching legislation, the involved communities would have to work together to present a united front to the New York State Legislature. If Upstate legislators can form a solid coalition with the backing of their respective communities, the State Legislature will be much more likely to act on more sweeping forms of legislation.

Cooperation and Consolidation: Helpful Tools in New York State

Although the State of New York must do more to encourage and enable local governments to pursue consolidation and cooperation efforts, it is important to point out the existing programs that the State has in place. One example of how the State has proactively responded to local governments seeking support in their consolidation efforts

² Rusk, David "Upstate New York: A House Divided," 5/20/05.

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is through its “how-to” manual on intermunicipal consolidation, which provides helpful approaches for local governments seeking to launch cooperative projects. The Division of Local Government Services and Economic Development also provides resources to local governments through various programs intended to help incorporate cooperation into deficit-financing requirements. The State is also attempting to address certain obstacles by enabling official recognition of “hamlets” for dissolved local governments. By designating the boundaries of a dissolved local government as a “hamlet” the State is responding to the concern in small municipalities over the loss of community identity. Finally, the State Comptroller’s office offers a Cooperation and Consolidation Consulting Service (3CS) to help local governments work through their issues.³ While it is important that communities throughout the Upstate region pursue new and innovative ways to engage the State in consolidation issues, it is equally important that these same communities explore and take advantage of existing state programs.

³ “Intermunicipal Cooperation and Consolidation” Office of the New York State Comptroller, Alan G. Hevesi, 11/20/03.



CONSOLIDATION EFFORTS IN BUFFALO

When approaching the question of city-county consolidation in the Syracuse region, it is advisable to examine both successful and proposed consolidations in other regions throughout the nation. Unfortunately, many consolidations took place too far in the past or under special circumstances which are not applicable to the current governmental scenario present in Central New York.

The most relevant consolidation example is the proposed City of Buffalo-Erie County merger. This proposed consolidation would be subject to the same New York State laws as would be present in Onondaga County. If and when such a consolidation does happen, it will help define both the avenue of change and the resulting characteristics of a city-county merger in the State of New York. Those in the Syracuse region who wish to undertake consolidation efforts must pay close attention to the efforts taking place in Western New York.

It is tempting to view completed city-county mergers in other states as potential models of consolidation. This is unrealistic. Consolidations in other states can provide peripheral lessons about the process of consolidation, but the rigidity inherent in the New York State legal structure means that city-county mergers in New York will be somewhat unique in their end result. Therefore, the proposed Buffalo-Erie County merger must be judged primarily upon its own merits.

This does not imply, however, that lessons learned from other consolidations are not worth any consideration. Where applicable, critique of the continuing political process in Buffalo will feature commentary based on observations of governmental consolidations in other states and regions. Advocates of consolidation in Syracuse can best judge their own situation by comparing some aspects of what has happened in Buffalo to other known consolidation efforts.

History of Buffalo-Erie County Merger Effort

Like many other regions that have faced economic hardships, Buffalo has considered the idea of consolidation for some time. This issue began to gain prominence in the late 1990s as the City of Buffalo became increasingly insolvent. Joel A. Giambra was elected Erie County Executive in 1999, and he immediately began to explore a merger in which the county would be responsible for the management of the City of

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Buffalo in conjunction with the services already provided to the other municipalities of Erie County.

In 2003, a control board was created by New York State to run the financial affairs of the City of Buffalo due to its increasing budgetary crisis. This event pushed the consolidation effort to the forefront, and by May of 2004 the Greater Buffalo Commission was formed to officially examine and make recommendations on the possibility of a city-county merger. The commission released its report in January of 2005. As of June of 2005, no official action has been taken on any of these merger recommendations.

The Legal Process of Merger

Like many of the industrialized states of the northeastern United States, New York is widely settled and heavily incorporated. There are no unincorporated areas of the state. Every square inch of land falls under the jurisdiction of an existing and autonomous local government.

Article IX, Sec. 1 of the New York State Constitution clearly states that annexation or a submission of granted power of a local government is not legal without the consent of the majority of the population of the affected area. This means that no municipality can be forced to consolidate. In the proposed Buffalo merger, a dual referendum must be held where the majority of voters in both Buffalo and Erie County must approve the proposed merger. Other legal concerns are present, outlined by Hodgson Russ LLP of Buffalo (see Appendix C). The most pressing of these is the need for an enabling act by the New York State Legislature which will facilitate the creation of a statutory authority for merger. Legislation has been proposed by the Greater Buffalo Commission.

New York currently recognizes cities, towns, villages, and counties as the only legitimate forms of local governance. The new entity created by the proposed Buffalo-Erie County merger would be represented by a "super" county government which would govern the city and provide county services to the rest of Erie County as it did prior to the merger.



The Result of the Proposed Merger

The new government of Erie County, as proposed by the Greater Buffalo Commission, would be responsible for the former City of Buffalo. The City of Buffalo would cease to exist officially and instead become a new Municipal Services District. All 43 other municipal bodies within Erie County would remain independent and retain their current relationship with the county and be classified in whole as the General Services District. Taxing for the purpose of providing services would be divided between those who live within the Municipal Services District and those who live within the General Services District. City workers will become county employees, honoring collective bargaining where applicable, and the duplication of services and departments will be eliminated over time.

Issue #1: Process is dependent upon NYS legislation.

It is necessary to change the Erie County charter in order to facilitate consolidation. This cannot be done until a Home Rule request is made to the New York State Legislature. An approved bill enabling the merger must be signed by the governor.

Campaigning for voter approval in this matter is key, and momentum is necessary in order to gain and keep voter confidence. It is possible that any sort of a delay in the legislative process will leave time for discouraged, anti-merger voters to become organized against the perceived inefficiency of the county to bring this issue to fruition. This can result in the emergence of anti-merger candidates for the county legislature, mayor, or county executive, as well as an entrenched anti-merger vote that will continue to build as long as the issue is dragged out. Apathy among the voter population could result, giving anti-merger voters an edge in the referendum. This may be reflected in public polling (see below).

In addition, it is not a given that legislators will be comfortable allowing the creation of a county in line with the suggestions of the Greater Buffalo Commission. Buffalo, like all major cities in New York, receives a great deal of state aid. Prof. John Sheffer of the Institute of Local Governance at the University of Buffalo believes that officials and politicians in Albany will have to seriously consider the ramifications of providing state aid to a city that is, technically, no longer a city. These concerns can be worked out, but the political process will take time.

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This point is moot if the legislative process goes smoothly, but it is impossible to completely gauge the prospects of an item of legislation that is in many respects unprecedented. Coordination amongst the various political interests both within and without Erie County is absolutely essential. Erie County voters cannot continue to be told of an impending referendum, only to have that referendum be pushed back in light of considerations in Albany and faltering at home. Thus far, a referendum has been suggested publicly for November of 2004, then November of 2005, and now November of 2006 is cited as the most realistic date. This shell game is counterproductive.

Legal constraints limit the power of the City of Buffalo and Erie County to hold the referendum on their own terms. It cannot be done overnight, even if all parties wished to do so. Unfortunately, the inordinate amount of attention paid to the issue of consolidation early in the process has left the issue lingering to the point where it may not seem new, exciting, or even beneficial to the voters. Unforeseen delays in the legislative process that would push the referendum past November of 2006 could sink the entire initiative.

Issue #2: The new entity will have no net gain of assets.

If the merger between the City of Buffalo and Erie County is approved by the voters, then the county will run the former City of Buffalo as well as continue to provide the same services to the rest of the county. None of the other municipalities within Erie County are being asked to join the district formerly known as the City of Buffalo. Suburbs that lie within proximity of the City of Buffalo will retain their full independence.

The Greater Buffalo Commission claims that Greater Buffalo will become the 10th-largest city in the United States. This is both true and untrue. A resident of the affluent Buffalo suburb of Amherst is a resident of Amherst and Erie County. After a merger between Buffalo and Erie County, will the said resident suddenly become a resident of Greater Buffalo because he or she happens to live within the boundary of an Erie County with an amended charter? This is a difficult question to answer.

The consolidation of the City of Louisville with Jefferson County, Kentucky in 2003 made similar claims despite the fact that all 92 existing municipalities retained their independence. The main difference between the Louisville merger and the proposed Buffalo merger is that one-third of the residents of the Regional City of Louisville (as it is



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now known) were formerly living on unincorporated land within Jefferson County. The gain of taxable land and residents in the Louisville case is real and significant. In the case of Buffalo, not one acre of land or a single resident will be added to the Municipal Services District formerly known as the City of Buffalo.

If the funding of services is truly divided between the Municipal Services District and the General Services District, has the former City of Buffalo gained any advantage by replacing its current governmental structure with one orchestrated at the county level? Consider the drastic changes in assets enjoyed by cities which have successfully consolidated in the past (compiled by David Rusk):

Consolidated Regional Cities	Non-merged Municipalities	Increased Land	Increased Population
ANCHORAGE, AK	0	10,377%	185%
LEXINGTON, KY	0	1,137%	125%
COLUMBUS, GA	1	211%	18%
ATHENS, GA	2	610%	96%
AUGUSTA, GA	2	1,424%	317%
JACKSONVILLE, FL	4	2,409%	246%
NASHVILLE, TN	7	1,532%	196%
INDIANAPOLIS, IN	14	408%	55%
LOUISVILLE, KY	92	300%	108%
BUFFALO (as proposed) ⁴	44	0%	0%

Issue #3: The widespread governmental crisis has created mistrust.

Crisis is identified by an innumerable amount of sources as one of the most important ingredients of a successful consolidation. The theory follows the common-sense notion that voters will prefer to keep the status quo when everything seems to be

⁴ Rusk, David "Acting as One—Not Becoming One: A Presentation to the Pittsburgh Interfaith Impact Network," 3/25/04.

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running well, but will be open to change if government finances and services begin to sour.

The Buffalo region has been plagued by economic problems for several decades. Buffalo was a largely industrialized city, and it found itself in poor shape to cope with the loss of heavy industry and manufacturing jobs throughout the 1970s and 1980s. The technology and service-based economic boom of the 1990s missed Buffalo almost entirely.

The City of Buffalo's continued insolvability became so insurmountable that the State of New York was asked to intercede in 2003. The Buffalo Stability Authority Act was passed by the New York State Legislature to authorize the creation of the Buffalo Fiscal Stability Authority (commonly known as the State Control Board). This agency is authorized to control and advise the city government in all financial planning matters.

Taken by itself, the economic crisis of the City of Buffalo seemed a compelling enough reason to consider consolidation. Residents of the city felt that a new governmental structure might be needed, and residents of the suburbs clearly saw that the city that gives the region its identity is increasingly in need of a rescue. This scenario lent itself to heavy-handed talk of reform, including consolidation.

Unfortunately, the entity most likely to take charge of a consolidation effort, Erie County, met with its own financial crisis. In 2004, the county announced that increasing Medicaid costs would cause a budget shortfall of at least \$70 million. As of June, 2005, this deficit has grown to over \$100 million.⁵ The County Executive, Joel Giambra, was unable to convince the county legislature to increase the sales tax in order to sustain solvability in FY2005. The specter of increased county sales or property taxes continues into the future as significant shortfalls are predicted for FY2006 and FY2007.

Many Erie County voters may have entertained the thought of turning the City of Buffalo's management over to the county while the county seemed a stable alternative form of government. Now that Erie County is having difficulty providing normal services to all county residents, it seems unlikely that voters will wish to entrust the county with another burden in the near future.

⁵ Spina, Matthew "County to give \$14 million to Bass Pro project," Buffalo News, 6/3/05.

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Issue #4: Public support for merger is tenuous.

A Zogby Poll conducted in May of 2004 found that 54 percent of City of Buffalo residents were in favor of consolidation, while only 39 percent of suburban voters favored the proposition. In all of Erie County, those in favor of a merger equaled 43 percent while those against were 45 percent.⁶ In 2001, Zogby found that nearly 50 percent of all suburban voters were in favor of consolidation, indicating an 11-point drop between 2001 and 2004.⁷ This same 2001 poll found that overall county support stood at 51 percent, dropping 8 points between 2001 and 2004. Urban support for consolidation has remained above 50 percent in all Zogby polls conducted since 2001.

There is also racial divide in the public perception of consolidation. A 2005 Zogby poll found that whites within the City of Buffalo favored consolidation 64 to 27 percent. In the same poll, black respondents were split, 41 percent in favor and 43 percent opposed.⁸

The drop in suburban and overall support between 2001 and 2004 may be the result of the legal and political delay of a merger, as well as the increasing insolvability of both the City of Buffalo and Erie County. Suburban voters increasingly see the city as a burden, the county as inefficient, and the reality of a Greater Buffalo in name-only an unsatisfying result. Why should a voter in Amherst or Waterloo care who runs the City of Buffalo, especially when the proposed merger does not seem to bring any new assets to the table?

In the Louisville-Jefferson County merger, a public relations campaign was one of the essential components of the effort to garner support despite the doubts of constituents.⁹ Throughout 2000, a comprehensive campaign utilizing popular politicians from both major parties, phone banks, tracking polls, direct mailings, and targeted advertising was undertaken by the official task force in charge of the merger. These

⁶ Fairbanks, Phil "City, suburbs split on merger issue," *Buffalo News*, 5/3/04.

⁷ Lakamp, Patrick and Bryan Meyer "Majority in poll backs city-county merger: Respondents also favor control board for Buffalo," *Buffalo News*, 12/30/01.

⁸ McCarthy, Robert J. "56% in city say they're upbeat about merger," *Buffalo News*, 1/28/05.

⁹ Readers should consider that the Louisville merger, despite its apparent success, took over 30 years to implement from the time it was first proposed. Consolidation is a hard sell, and organizing parties to make the commitment sometimes takes many years to implement.

efforts were financed with a \$1 million budget raised from the local business community. With these large-scale efforts, the merger passed 56% to 46%.¹⁰

Surprisingly, the Greater Buffalo Commission held its 2004 planning meetings behind closed doors. This was cited by the Institute of Local Governance as the most compelling reason why its recommendations have failed to capture the public's imagination. Public trust was not gained on the issue of consolidation during the private creation of the commission's report, and speculations throughout the community as to the motivations of the commission tended to be negative. Coupled with the economic problems of the city and county, it is of little surprise that perceived public support for a merger has continued to drop.

Currently, the most comprehensive source for information, including polling, about consolidation efforts in the Buffalo region has been the Buffalo News. The Greater Buffalo Commission was charged with creating a report and proposing legislation that would enable a consolidation, but neither this commission nor any other body has yet been given the task of starting a spirited campaign for consolidation. Surprisingly, the most outspoken advocate for consolidation, Kevin Gaughan, is a private citizen.¹¹ He has organized several public forums on the issue of consolidation, inviting outside experts to address groups of concerned citizens. No other organization has felt compelled to try and emulate the populist approach utilized by Gaughan.

Issue #5: Buffalo is politically unstable.

A Zogby poll conducted in January of 2005 found that the mayor of Buffalo, Anthony Masiello, had a 61% unfavorable rating. He announced in May of 2005 that he will not seek another term.¹² Erie County Executive Joel Giambra announced that he will not run for re-election in 2007. Giambra's image has been so badly tarnished that he is using his remaining campaign funds to run public television ads to try and convince voters that mismanagement was not at the root cause of the county's continued financial crisis.¹³

¹⁰ "Lessons from Merger: What other communities can learn from the merger of Louisville and Jefferson County, Kentucky governments," Louisville Jefferson County Metro Mayor's Office, 3/4/04, pg. 2.

¹¹ At the time of this report, Kevin Gaughan has declared his candidacy for the Office of Mayor in the City of Buffalo. He hopes to capture a spot on the Democratic ticket.

¹² Thompson, Carolyn "Buffalo Mayor won't seek fourth term," Newsday, 5/2/05.

¹³ McCarthy, Robert J. "Giambra hoping ads improve his image" Buffalo News, 6/1/05.



Like in many Upstate New York regions, the City of Buffalo trends Democratic, while the suburbs and rural regions of Erie County trend Republican (although Democrats currently hold a slim majority in the county legislature). Giambra switched party registration from Democrat to Republican when he ran for the county executive office. The initial reaction of Masiello and other city Democrats to the idea of consolidation was that the Democratic Party's power base might be diminished.

Worry over party strongholds has not been as significant a factor as the financial crises that have plagued the Buffalo region. Both parties have acknowledged the need for reform. What has been a more significant factor politically has been the lack of a cohesive, trusted leadership core of elected and popular politicians.

The Indianapolis-Marion County merger of 1970 was spearheaded by well-known Republican Mayor Richard Lugar, who went on to become a nationally-recognized U.S. Senator.¹⁴ The Louisville merger employed a public working relationship between the Louisville mayor, a Democrat, the Jefferson County executive, a Republican, a former and very popular Louisville mayor, a Democrat, and Republican U.S. Senator Mitch McConnell. This group helped sell the consolidation initiative to the voters of Louisville and Jefferson County.

Currently, Buffalo has not enjoyed the political stability that may be necessary to advocate a major structural governmental change. The current mayor and county executive have become unpopular due to the financial crises of their respective administrations. Both the mayoral and county executive offices will soon be in periods of transition. Voters of Buffalo and Erie County are demonstrably dissatisfied with their current leadership, and new leadership will of course take time to build the political momentum necessary for consolidation. A merger referendum placed on the 2006 ballot might not represent the best political timing.

¹⁴ This is an example of a consolidation that was not voted on, but created by the powers vested in the Indiana state legislature. Lugar is credited with creating a feasible plan that would not compel voters to punish elected officials for taking part.



Lessons Learned

The problems highlighted above are the most significant issues related to a possible Buffalo-Erie County merger. In light of the possible benefits of consolidation, one can glean some general lessons from the Buffalo consolidation initiative.

1) Long-term benefits are overshadowed by short-term conditions.

Advocates of a merger in any area must realize that the end-result of a merger—a comprehensive, efficient regional government capable of planned economic growth—is often subservient to the short-term conditions present at the time of referendum. The Buffalo region is in financial crisis, its leaders are unpopular, and the merger proposed does not have any immediate gain in assets for any municipality. The lofty goal of smart growth and regional planning is quickly lost in light of these negative aspects. While merger might be a long-term solution to the plight of the Buffalo region, its immediate effects are too unclear to invite broad voter support.

2) Strong leadership is necessary.

Almost all successful city-county consolidations have been led by strong and popular elected officials. Voters are more apt to listen to people for whom they vote and support, and citizens are likely to consider consolidation on its merits if accountable officials are the individuals advocating it to them. Unelected officials, community elites, and business leaders are useful and often employed in these efforts, but voters must feel that the main proponents of consolidation are vulnerable at the ballot box. Elected leaders who are unpopular and likely to lose election, or those who have indicated that they will not seek re-election, are not the ideal advocates for consolidation.

3) Crisis can be a catalyst, but cannot be too widespread.

A period of crisis presents one of the most ideal times to engage in active consolidation efforts. In this case, voters feel they have something to gain from consolidation that is not currently available: stability. If, however, crisis becomes too widespread, it is possible that no one level of government will be trusted enough to take over another level.

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Polling data shows that consolidation in the Buffalo area enjoyed wide support in the early 2000s when the City of Buffalo was in deep financial trouble and Erie County was in acceptable financial shape. By 2004, this support had dropped dramatically, especially in the suburban communities. If consolidation had been placed on the ballot before 2004, it is possible that it would have passed. With no end in sight to the economic troubles of the county, it is unlikely that consolidation will be passed any time in the near future.

4) Consolidation efforts must be undertaken by a capable and willing coalition.

That the county executive of Erie County was pushing for consolidation was never enough. Past consolidation efforts throughout the United States relied on bipartisan coalitions of community leaders and grass root organizations. It does not appear that Buffalo currently has a sufficiently cohesive group of advocates for consolidation.

The Greater Buffalo Commission was made up of bipartisan elected officials, community elites, and representatives of community organizations. Unfortunately, the commission missed an opportunity to garner public support by meeting in closed sessions. Simple efforts, such as an effective and well-made website were not employed by the commission, which seemed to enjoy little or no enthusiasm from its members once the report was complete. The initial report is scant on details and does not address enough questions that concerned citizens may have about the effects merger would have on the City of Buffalo and its inhabitants.

It is possible that if the momentum of the process had continued, that this commission would have been a good springboard for forming a lasting and significant coalition. Unfortunately, the Greater Buffalo Commission failed to engage in any sort of public campaign and will not likely do so in the near future.

5) There must be a sense of purpose.

An outside observer to the Buffalo consolidation effort may ask the same question that a casually-observant Buffalonian would ask: Why? Why should consolidation take place? What are the benefits to the community? Why should I trade the status-quo for something different?

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The Greater Buffalo Commission correctly points out that the Buffalo region is not competitive in a global market and that its economy is in shambles, but they fail to articulate why making a pseudo-metropolitan “super” county would solve these problems. Voters understand the need for better economic planning on a more regional scale, but the proposed merger of Buffalo and Erie County does not seem to automatically address the problems that Western New York has faced over the last few decades.

No one has yet to make the case that consolidation in Buffalo will provide better efficiency or equity, arguments that do not always bear fruit but could start a meaningful dialogue among voters. Minorities have not been shown how consolidation can help them increase their representation in the region or have been reassured that a larger government will not dilute their political influence. Suburban voters have been coddled by a promise of not touching their current level of service. This seems fine, but hardly inspiring. The Greater Buffalo Commission’s recommendations fall into the trap articulated by David Rusk: when consolidation is unable to bring new assets to the table in the creation of a new governmental entity, then the effort is simply a re-shuffling of what already exists. This type of consolidation can perhaps save some money by eliminating the duplication of services, but it is hardly going to transform the nature of a region.

Conclusion

Many of the problems found in the proposed Buffalo-Erie County merger are not necessarily controllable. The bad timing associated with the widespread financial crises in the Buffalo region could not have been avoided. Due to the legal restrictions inherent in New York State law, government consolidation is not an easy or a quick transition. Even if problems are anticipated, the leverage is not readily available to speed up consolidation efforts.

Buffalo is limited by being the first Upstate New York region to consider such a move. If broad enabling legislation existed prior to Buffalo’s consolidation efforts, then it is possible that the initial momentum created by the Greater Buffalo Commission could have resulted in a ballot referendum as early as 2004. If the possibility of consolidation was absolutely guaranteed based on a yes or no referendum, more and more public and

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private entities within the greater Buffalo community might have entertained advocating such reform.

Ideally, the recommendations of the Greater Buffalo Commission would have been performed only under the pretense that a referendum was legally possible at any time. Under these circumstances, the possibilities presented by the Greater Buffalo Commission would have been fresh in voters' minds, and financial resources could have been pooled into a fund for a campaign of a reasonable duration. Because the Greater Buffalo Commission created its report in conjunction with its legislation, the political momentum was lost due to circumstances beyond anyone's control.

Prof. Kathryn Foster of the University of Buffalo, an expert on regions and governance, outlines three major components of a successful consolidation: 1) **Process**; 2) **Product**; and 3) **Politics**. These three components are essential in building a successful consolidation effort in any location. The process component of consolidation deals with the development of a plan. The nature of the process will help shape both the eventual plan and the public perception of the issue. The product component applies to the characteristics of a completed consolidation. This outcome should be desirable to as many parties as possible in the community. Finally, the politics component covers the feasibility of implementing a consolidation plan by taking into account the diversity of interests throughout a community. Beyond the uncontrollable economic conditions that limited the Buffalo consolidation initiative, it is safe to conclude that the entire effort failed to engage these three components effectively:

- 1) The **process** was muddled from the start. The Greater Buffalo Commission met behind closed doors, lacked charisma, failed to consult the public, and failed to carefully consider the legal and logistical hurdles to their proposal.
- 2) The **product**, a Buffalo-Erie "super" county, was portrayed as nothing more than a switch of leadership from the mayor's office to the county with some grand promises of economic revitalization thrown into the mix in order to justify such a move.
- 3) The **politics** of the entire initiative were counterproductive. Erie County Executive Giambra pushed the idea as a county saving the city crusade, placing too much emphasis on his personal role in becoming a regional



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administrator. The Greater Buffalo Commission was created by elites who failed to engage in a public campaign of dialogue and ideas.

All parties interviewed for this report felt that the Greater Buffalo Commission's recommendations, as well as the organization itself, represented a false-start. While no one felt that consolidation in the Buffalo region is impossible, few believed that it could happen in the next couple of years due to the opportunities missed before the economic crises set in. If city-county consolidation is to occur in Buffalo in the future, the process will likely have to start completely over from the beginning.



CONSOLIDATION EFFORTS IN SYRACUSE

The issue of consolidation is not a new one in the Syracuse Region. The County's Forensic Crime Laboratory and the Emergency 911 Call Center are primary examples of how consolidation can be successful in this community. Previous failed merger attempts, such as the case between the Syracuse and Liverpool Police Departments, has left the community wary of any future consolidation attempts. It is therefore necessary that any future mergers or consolidation efforts in the Syracuse Region are conducted in a comprehensive manner that takes into account previous lessons learned as well as the current political atmosphere in each community. If the proper issues are adequately addressed, the Syracuse Region will be better prepared to provide meaningful reform as part of a new consolidation initiative.

Intermunicipal Consolidation in Upstate New York

The majority of attention in this report has focused on the Buffalo model of consolidation that involves a merger between city and county. There are a number of different types of consolidation, and Upstate cities such as Syracuse can greatly benefit from exploring intermunicipal consolidation and cooperation on a smaller scale. An important lesson learned from the Buffalo model is that most communities are not prepared for a full-scale consolidation of city and county governments. Whether cities like Syracuse are interested in an eventual city-county merger, or just looking to make government more efficient, smaller scale consolidation and cooperation agreements serve as a building block to future consolidation efforts.

As with any government restructuring, there are inherent obstacles that can complicate the process. Turf issues, community apprehension over access and representation, local identity, and municipal employee concerns all represent challenges to any consolidation effort. Along with inherent obstacles to consolidation, many groups have touted the potential benefits such as cost savings, improved service quality, improved comprehensive planning, and enhanced regional effectiveness in economic development. If Syracuse or any other Upstate municipality is going to seriously examine consolidation as a viable option, these issues must be addressed.

Issue #1: Turf Issues

New York State is comprised of more than 2,300 local governments, including counties, cities, towns, villages, and school districts. With so many small municipalities the potential for conflicts over turf in any form of government restructuring is great. The key to overcoming these turf issues lies in the ability of local officials to communicate effectively.

In interviews conducted with local officials throughout Onondaga County, the biggest obstacle to consolidation in the Central New York region was reported to be the reluctance of City officials to come to the table to discuss consolidation opportunities with the County. One interviewee pointed to the regular meetings of local town supervisors in Onondaga County as an example of positive communication that can help avoid turf battles. Another interviewee cited the *Citizens Task Force on Consolidation and Inter-Municipal Cooperation*, which meets regularly in Manlius, as another good example to how consolidation issues can be discussed in an open forum. However, it should be noted that all but one town supervisor in Onondaga County is a member of the Republican Party, and due to the fact that the City is overwhelmingly Democratic, issues related to trust are to be expected to a certain extent. The issue of party politics is inherently intertwined with turf issues but it is essential that local leaders rise above their personal concerns and communicate effectively in order to achieve what is best for their constituents.

There are a number of ways to deal with traditional turf issues, but the most important tool deals with the ability of local leadership to lead by example. As stated previously in the report, one of the key elements in the Jefferson County/Louisville merger was the fact that they employed three very popular elected officials who not only worked with the community on these difficult issues, but they also worked well together. Future consolidation efforts in Syracuse and Onondaga County stand to benefit greatly from similar efforts.

Issue #2: Community Access and Representation

A common concern related to consolidation is the effect it will have on community access and representation. Similar to the problem of turf issues, access and representation are also intertwined with party politics, in addition to even more controversial issues such as race. Just as the City of Syracuse is more Democratic than



its suburban counterparts, the majority of minorities live within city boundaries. For this reason, any efforts that would alter the current structure of city government threaten minority representation and community access to elected representatives. Results from empirical studies found in this report confirm these concerns. By expanding the base of political representation from the traditional City of Syracuse that has a considerable concentration of minorities to a city/county metropolitan government potentially decreases the proportion of minorities in the expanded population.

The political consolidation of the City of Athens and Clarke County, Georgia serves as a valuable case study when examining representation and community access issues. In the newly formed charter, the former Clarke County was divided into four districts of 12,000 to 14,000 people per district. Eight council members are elected to each district, and two members are elected to represent two super districts in the east and the west of the County. By reconfiguring the traditional political boundaries and ensuring that each district was represented adequately, officials in Athens were able to address many of the community's concerns regarding access and representation.¹⁵

While it has been noted that it is difficult to compare government structures outside of New York State to Upstate municipalities, the Athens-Clarke County example serves as a good point of reference when discussing these difficult issues. As with turf issues, the most important part of this process is to maintain open lines of communication that will enable citizens to voice their concerns with local decision makers. According to David Rusk, local community based organizations (CBO'S) can play an integral role in ensuring that these issues are at the forefront of local consolidation talks. A local chapter of the religious organization Gamaliel has begun this process in Syracuse by holding the NYS Economic Summit at Onondaga Community College in May 2005, in which keynote speaker David Rusk stressed the importance of CBO's in any consolidation effort. These efforts should be commended and expanded throughout the community. If local officials reach out to CBO's that represent different constituencies throughout the community, issues involving community access and representation will be better understood and more manageable in the long run.

¹⁵ Report to the Onondaga County Executive on Government Consolidation. Maxwell School of Citizenship and Public Affairs (1996).

Issue #3: Local Identity

The issue of local identity is a particularly difficult issue to address when talking about consolidation due to the fact that involves a great deal of history and emotional attachment. Regardless of whether a particular local municipality is politically relevant or financially stable, residents of both small and large communities are very passionate about their hometowns. At the same time, most people who live in Onondaga County equally value their connection to the City of Syracuse, which they identify as the region's cultural and historical epicenter. In a recent visit to Syracuse for a symposium on the *Syracuse Neighborhood Initiative*, former Indianapolis Mayor William Hudnut proclaimed "you cannot have a suburb of nothing." The point of this statement is that although suburban residents value their small town identity, and even though some suburban officials believe they have no vested interest in the City of Syracuse, the Central New York region cannot truly thrive without a strong central city.

A useful tool that was previously mentioned in this report is the ability of the New York State Legislature to enact legislation that would officially recognize dissolved local governments as "hamlets." This official designation would give smaller municipalities incentive to merge with a larger government by addressing local identity concerns. Under this new designation the dissolved government would cease to exist and all municipal functions would be absorbed by a larger government. The notion of hamlets allows for communities to respect the history of the area, while at the same time looking forward to establishing a more modern regional identity based around the central city of Syracuse.

Despite disjointed governance, economic markets extend over multiple jurisdictions in Central New York. While suburban communities serve a necessary purpose by offering residents of Central New York a wide variety of lifestyle options, they will not be viable communities without a strong economic engine in the City of Syracuse driving the region's economy. As many scholars contend, the real cities of a given area are the entire urbanized zone, and traditional local identity issues are no longer economically relevant. This is especially true in Upstate New York.

Issue #4: Cost Savings vs. Service Quality

Much of the current debate on intermunicipal consolidation revolves around the potential benefits of cost savings versus service quality. While in some situations both

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goals can be achieved, any community seriously exploring consolidation issues must be aware of the problems that can arise by selling a community on consolidation based on a false pretense of unconfirmed benefits. If a serious dialogue is going to take place on consolidation in Onondaga County, it is necessary to look at specific examples of projects that have been successful as well as those that did not live up to expectations.

For the fiscal year ending 2001, local governments in New York State reported revenues of approximately \$575 million as a result of providing services to other governments. This figure represents at least 3,332 cooperative agreements between local municipalities throughout the state.¹⁶ In Onondaga County, the Southern Onondaga Trash System (SOTS) is a good example of how such consolidation efforts can work. Launched in 2002, SOTS represents four Onondaga County towns (Fabius, Pompey, LaFayette and Tully) and two villages (Fabius and Tully), and has been successful in cutting costs and extending service to outlying areas.¹⁷

In a recent interview with a local government official, he cited a study that concluded that an initial savings of \$500,000 could be achieved by consolidating the Onondaga County and City of Syracuse Purchasing Departments. Although the purchasing figures cannot be confirmed, the aforementioned examples deal with primarily "back office" functions that offer the most potential for cost savings, while at the same time usually do not create a significant amount of public attention or dissent. The consolidation of "back office" functions may represent a reasonable and incremental beginning to larger consolidation efforts.

When Onondaga County and the City of Syracuse consolidated their Forensic Sciences Labs, proponents of consolidation touted the potential for significant cost savings. Upon interviewing a former city official who was present during these efforts, he reported no cost savings as a result of the merger. This particular consolidation serves as a primary example of how consolidation can improve service quality, even if it does not save a great deal of money. Due to the improved service that resulted from the consolidation effort, the citizens of Onondaga County have clearly benefited from these efforts, despite the lack of cost savings. It is therefore imperative that local leaders and

¹⁶ "Intermunicipal Cooperation and Consolidation" Office of the New York State Comptroller Alan G. Hevesi, 11/20/03.

¹⁷ Seely, H. "Trash Burnt at Home Releases Many Toxins," The Syracuse Post-Standard, 3/14/04.

voters examine all potential benefits and costs when exploring consolidation opportunities.

Issue #5: Comprehensive Planning

Proponents of intermunicipal consolidation often tout the benefits of government restructuring on planning throughout a particular region. It is a well known fact that cities throughout New York State have continued to lose population while the outer suburbs in surrounding counties continue to expand. This shifting of population can be attributed to many social and economic factors, but an important part of this discussion revolves around the ability of communities to plan effectively. The current situation in Syracuse and Onondaga County is no different, and local officials have recently viewed comprehensive planning as an effective tool to combat suburban sprawl while concurrently adjusting for a decreasing central city population.

In an interview conducted with a county official, he highlighted the importance of planning on a county wide basis. In response to suburban sprawl issues, the County has adopted a philosophy of not subsidizing any new infrastructure that will support sprawl. This philosophy continues to be a contentious issue throughout the region, and additional interviews throughout the community have helped to further shape this issue. Those who are against the idea of a consolidated planning effort express concern over a county-wide planning function that would not be sympathetic to localized decisions made in city and suburban neighborhoods. Another concern raised deals with the lack of cost savings that would result from such efforts, but as was stated previously in the report, many of the benefits of consolidation are acquired through improved service as opposed to cost savings.

The Central New York region has achieved moderate success in producing effective planning documents. Onondaga County's *2010 Development Guide*, the City of Syracuse's *Comprehensive Plan*, the Central New York Regional Planning and Development Board's *Central New York Comprehensive Economic Development Strategy*, and the Metropolitan Development Association's *Essential New York Initiative* have all attempted to plan in a more comprehensive manner. Still, more work can be done in order to use these plans together to effectively plan for the future of Central New York. Whether or not it would be beneficial to consolidate all the planning departments in Onondaga County is open for debate, but it is clear that the entire region will benefit

from increased collaboration on important planning decisions that affect everyone in Central New York.

Issue #6: Regional Effectiveness and Economic Development

Consolidation of the Economic Development Departments in the City of Syracuse and Onondaga County has been a contentious issue throughout the community in recent years. Proponents of consolidating economic development departments point to the fact that under the current structure, business looking to locate in the region must report to multiple economic development departments and agencies depending on where they are interested in locating. This often results in communities within Onondaga County and the surrounding region battling for economic development that stands to benefit the entire region. The multitude of tax breaks offered throughout different communities creates a race to the bottom as municipalities give up more and more in order to secure badly needed jobs.

For the aforementioned reasons, many leaders in the Syracuse community believe that a more coordinated effort in economic development would create a better business atmosphere than currently exists. At the same time, a number of individuals interviewed for this report expressed serious concerns over such consolidation efforts. The majority of concern comes from local officials working to increase business in the City of Syracuse. A local economic development expert expressed his concern that by taking economic development out of the hands of city officials, a newly consolidated county economic development department would be less inclined to bring business directly into the city as long as a business is willing to locate somewhere in the area. This particular interviewee pointed specifically to the neighborhood business districts in the city as the group most likely to be hurt by such a consolidation.

In speaking with an official from Onondaga County, he proposed a solution that could potentially allay some of the City's fears. The City could potentially retain its Industrial Development Agency that could establish a tax structure that would enable the City to continue to aggressively compete for business. The newly consolidated county-wide economic development department would continue to be accountable to the City by regularly reporting to the City's IDA. This proposal is just one potential way to address the current inefficiencies in the regions economic development efforts, and the only way

that this and other proposals can be effectively analyzed is through increased communication between all economic development agencies throughout the region.

Recommendations for the City of Syracuse and Onondaga County

The issues outlined above frame the possibilities of consolidation in the Syracuse region. There is no right or wrong form of consolidation, as long as the purpose of improved governance guides those who craft a new form of government. Limited consolidation is obviously the most realistic method of reform, but a broad city-county consolidation is absolutely possible if all parties involved wish to produce such radical change and the voters of the region deem such an effort worthy of their approval.

The eventual form of government consolidation in the Syracuse region will depend upon a variety of factors, many of which may not be apparent at this time. What is more vital, no matter the type of consolidation attempted, is the way one goes about forming a consolidation movement. After studying numerous case studies, we believe that the recommendations outlined below are essential guidelines in forming a successful consolidation movement. Concurrently, Buffalo's failing consolidation efforts contradicted almost every single one of our recommendations. If consolidation is to be a positive reform experience in Syracuse, the entire initiative should closely follow the guidelines found below.

In a format suggested by Professor Kathryn Foster of the University of Buffalo, we have compiled a series of recommendations for the Syracuse Region under the general headings of 1) **Process**; 2) **Product**; 3) **Politics**. These three components are essential in building a successful consolidation effort in any location.

Process:

1. Broad consolidation efforts may require enabling legislation from the New York State Legislature. Whether the Syracuse Region offers legislation covering local municipalities only, or whether a broad Upstate coalition is formed, it is important that the legislative process is underway before the issue of consolidation is taken to the public. The public should vote in a referendum that can legally take effect almost immediately.
2. An open and transparent dialogue on consolidation must exist from the beginning to the end of the planning process. If a commission is formed, its meetings, notes, and reports should be available to the public. At no

time should planning efforts be concealed by any officials for fear of political dissent. During the final stages of an initial referendum, a public campaign should be organized and financed to help disseminate the details of the proposal.

3. There should be no pressure for a commission or any other body to make sweeping recommendations at the beginning of a consolidation process. Some aspects of consolidation might, and perhaps should, take years to formulate. It is important that a process recognizes incremental steps needed to build trust and political cooperation.

Product:

1. The initial consolidation proposal taken to the voters should be realistic in its scope and practical in its application. All members of the community should be able to understand the proposal and consider its potential benefits or shortcomings.
2. Broader goals of a unified economic region should be discussed and planned. It is prudent, however, for any planning commission to realize that future events will do more to shape a consolidation than any efforts made at the present time. An economic vision can help inspire all parties involved in a consolidation, but plans should be flexible enough to absorb changing conditions and related concerns from members of the community.
3. Any final plan for consolidation should strive to increase the quality of representation and community access for all groups within a given community. A consolidated government should be particularly sensitive to representation issues among minorities and the economically disadvantaged.

Politics:

1. A planning commission examining the issue of consolidation must be made up of a comprehensive cross-section of the community. The commission should include elected officials, members of community-based organizations, union officials, and accomplished professionals with

- a vested interest in the economic and social well-being of the community. Members of the commission should be appointed in a bi-partisan manner.
2. The primary advocates for consolidation must be elected officials who are accountable to the public. This ensures that voters will perceive consolidation as a function of necessary governmental reform and not a consolidation of political power.
 3. Elected officials who have enjoyed a substantial tenure in public office and those officials who enjoy popular support in the community are the most effective advocates for consolidation. Consolidation efforts can suffer from ill political timing if a newly-elected official who has yet to build sufficient political capital attempts to spearhead a consolidation movement.

Conclusion

The Syracuse Region is at a crossroads in its history. The City has weathered the economic decline and population loss that has decimated similar northeastern industrial cities over the past 30 years, and is now poised for an economic and cultural renaissance. While members of the community have begun to think in a more regional context in response to the changing economic structure throughout the country, governmental inefficiencies and fiscal instability threaten to derail the recent progress of the region. Intermunicipal consolidation and cooperation can be useful tools for modernizing the current government structure in Onondaga County. Only through a comprehensive community effort will members of the Syracuse community understand the extent of change that is adequate for the unique needs of this region. There is no quick fix when it comes to the restructuring of traditional governmental entities, but consolidation, if approached properly, can help communities to be better equipped to handle the challenges of modern day government.

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APPENDIX DESCRIPTIONS

Appendix A: 1996 Governance Report, Appendix A

This section of the University of Buffalo Governance Project's *Governance in Erie County: A Foundation for Understanding and Action* (1996) is a compilation and analysis of various literature pertaining to the issue of consolidation. Appendix A was authored by Prof. Kathryn Foster of the University of Buffalo. This appendix of the governance report served as the basis for the first section of this report per request of Syracuse 20/20.

Appendix B: Upstate New York: A House Divided by David Rusk

In May of 2005, the Gamaliel NY foundation held an economic conference in Syracuse. The keynote speaker was David Rusk, former mayor of Albuquerque and independent consultant on urban and suburban policy. *Upstate New York: A House Divided* is a report Rusk prepared for the group and it was the basis of his address. While some of the claims and conjectures about the economic possibilities of consolidation are not necessarily supported by theorists or empirical evidence, the report provides a good analysis of the logistical constraints of consolidation in New York State.

Appendix C: State Legal Issues Implicated by the Proposed Merger of the City of Buffalo and Erie County

This legal brief by the prestigious Buffalo law firm of Hodgson and Russ LLP examines the legal issues of consolidation in New York State. The brief was commissioned by attorney and private citizen Kevin Gaughan, an advocate for government consolidation. Gaughan has organized a series of public forums on the issue of consolidation in Buffalo, and this brief was presented to the public during a forum entitled Buffalo Conversation 3 in June of 2004. Hodgson and Russ have provided a succinct and readable document that presents the legal considerations clearly.