

Alternatives Report Town and Village of Hermon

June, 2015

Prepared for:

Village/Town Dissolution Study Committee

Cathy Race, Village Mayor
Dave Doiron
Jeff Foster
Lee Carvel, Town Council
Nate Young, Village Trustee
Sheri Smith
Tracey Woodrow
Jamie Matthews

This document was prepared with funding provided by the New York State Department of State under the Local Government Efficiency Grant Program – Contract No. T1000023

Prepared by:



Staff Contributors: Star Carter, Michelle Capone, Tom Sauter, Brian Tulip, Carrie Tuttle, Ph.D, P.E., C.S.P.

Capital Consultants Architecture & Engineering (C2AE): Tim Burley, P.E. Water/Wastewater Assessment

Dulles State Office Building
317 Washington Street
Watertown, NY 13601
315.661-3200

23557 State Route 37
Watertown, NY 13601
315.661.3210
www.danc.org

Table of Contents

1.0	INTRODUCTION	1
2.0	HOW WOULD DISSOLUTION AFFECT DELIVERY OF SERVICES	1
2.1	CLERK/TREASURER	2
2.2	PUBLIC WORKS.....	3
2.3	WATER/SEWER.....	3
3.0	EFFECT OF DISSOLUTION ON WATER/SEWER & STREET LIGHTING COSTS	4
4.0	EFFECT OF DISSOLUTION ON TAXES	5
4.1	Estimated Savings	5
4.2	Annual State Aid for Dissolution	6
4.3	Impact on Tax Rates.....	6
5.0	SUMMARY	9

APPENDIX A – Projected Tax Rates per \$1,000 of Assessed Value from \$30,000 - \$250,000 Assuming 100% of CETC is Appropriated to Reduce Taxes

APPENDIX B – Projected Tax Rates per \$1,000 of Assessed Value from \$30,000 - \$250,000 Assuming 70% of CETC is Appropriated to Reduce Taxes

1.0 INTRODUCTION

This purpose of this **ALTERNATIVES REPORT** is to document and discuss the options for delivering Village services in the event of Village dissolution. This report is the second step in the process being undertaken by the Village's Dissolution Study Committee. The first step in the process involved documenting the Village's current assets, services, finances and personnel. The results of this initial phase of the project are summarized in this report, known as the **EXISTING CONDITIONS REPORT**.

The Village Board of Trustees hired the Development Authority of the North Country to oversee the dissolution study process and C2AE to provide technical assistance related to review of the Village water and sewer infrastructure, and local law review. The Village Board also appointed a Dissolution Study Committee (DSC) which has been charged with developing a study to evaluate dissolving the Village and identifying alternatives to dissolution, including fiscal impacts, provision of service and other matters as identified. The DSC is comprised of Cathy Race (Village Mayor), Dave Doiron, Jeff Foster, Lee Carvel (Town Council), Nate Young (Village Trustee), Sheri Smith, Tracey Woodrow, and Jamie Matthews. The DSC began this initiative with a kick-off meeting on June 26, 2014. Since that time the DSC has been working to develop a basis of understanding of the Village and Town services provided, the way in which these services are provided, and the cost to taxpayers to provide these services, and alternatives to providing these services should the Village elect to dissolve.

This report is being funded by and prepared in accordance with the New York State Department of State Work Plan requirements, as outlined in Contract No. T1000023 with the Village of Hermon.

2.0 HOW WOULD DISSOLUTION AFFECT DELIVERY OF SERVICES

There are several services that the Village already receives from the Town including the real property tax assessing, code enforcement, municipal justice/court, dog control, library, plowing, and sharing of office space within the Town's Municipal Building. As a result, the Village only requires three part-time employees. These positions include a part-time Village Clerk, a part-time Department of public works/water operator employee, and a part-time water/sewer operator. There are also four trustee positions and the Mayor which make up the governing board of the community.

The Dissolution Study Committee, with assistance from their consultants, has evaluated each of these three government functions (i.e., Clerk/Treasurer, Public Works, and Water/Sewer

Operations) to explore alternative ways that these services could be delivered in the event the Village dissolves. The DSC has also explored other ways for the Village and Town to share services, in the event the Village elects not to dissolve.

2.1 CLERK/TREASURER

The Village's Clerk/Treasurer presently works 17.5 hours per week. Her duties include completing payroll for the Village's part-time employees and elected officials, completing annual financial update reports, preparing an annual Village budget, paying bills, collection of real property taxes, and billing and payment collection for water and sewer customers.

Several of these functions would go away if the Village were to dissolve. For example, payroll would not be needed, a budget and annual financial statement would not be needed, bills would not be paid separately by the Village, and Village tax bills would be eliminated. The primary function performed by the Village Clerk that would need to be assumed by either the Town Clerk or a contracted entity would be budgeting and billing for the water and sewer districts. Water and sewer is not metered and customers are billed quarterly. The Village has a software program that is utilized for billing.

If the Village dissolves, the Town could assume the existing Village Clerk/Treasurer functions. The Town Clerk presently works 20 hours per week so it would not be necessary to hire an additional person to assume the Village Clerk's responsibilities. These duties could either be assumed by the existing Town Clerk or a part-time Deputy Clerk could be hired to perform the additional services, which would provide back-up to the existing Clerk functions which doesn't presently exist. Having a back-up would improve reliability of service by ensuring that there is more than one person that knows how to perform key duties like water/sewer billing. The Town could also choose to contract with an external entity to perform water/sewer billing. Financial services would be assumed by the Town and they presently contract with an accounting firm to perform that function.

If the Village were to dissolve, there would be several redundant functions that would be eliminated. These functions include tax collection, issuing licenses, paying bills, completing budgets, and issuing budgets and financial reports. To be conservative, it's not anticipated that there would be measurable cost savings by eliminating the Village Clerk function. There may be an opportunity to extend Clerk hours which could improve taxpayers' access government services.

2.2 PUBLIC WORKS

The Village performs very limited public works functions which include snow removal when there are piles that need to be removed from Town plowing, mowing and some basic maintenance activities for the Village owned-equipment and facilities. These services are provided by one part-time employee. If the Village elects to dissolve, these functions could be assumed by the Town's Highway Department. It is not anticipated that there would be substantial savings as a result of consolidating the Public Works functions for the Town and Village since so many services are already being shared. By consolidating public works functions between the Town and Village, resources could be combined to the mutual benefit of the taxpayers.

2.3 WATER/SEWER

The Village currently employs two individuals on a part-time basis as the licensed operators for the water and sewer systems. The dissolution of the Village and creation of two districts (one for water, and one for sewer) does not negate the need for the same level of service to run the respective operations. Performing water/sewer operator functions requires special licenses within the State of New York. The cost for training an employee to obtain their sewer and water licenses is approximately \$6,000 initially, and there are on-going annual training and re-certification requirements. Additionally, after training, there is no guarantee that the employee will be able to pass the licensing exam.

If the Village dissolves, the current arrangement will have to change and there are essentially two available options for consideration:

1. Performing Water/Sewer Operations by the Town

- The Town board could retain the existing part-time staff in an employment arrangement similar to the Village's current operation at the same level of compensation with no effect upon the existing water and sewer rates. This option would require establishing new job descriptions through St. Lawrence County Civil Service.
- Another option could be to have the Town Highway employees perform the service. The Highway employees would have to acquire water and sewer licenses as regulated by the New York State Department of Environmental Conservation and New York State Department of Health.

2. Performing Water/Sewer Operations on a Contractual Basis

- The Town board could retain water/sewer operations through a contractual agreement without hiring any additional staff. The cost for a contractual arrangement is likely to be less expensive because the Town would not be hiring new employees that would be provided health insurance, New York State retirements and other fringe benefits. Contractual arrangements typically have a set fixed fee for routine services and an hourly rate for emergency/additional services.
- The Town could consider letting a Request for Qualifications (RFQ) for purposes of soliciting a new firm that could manage both the water and sewer operations in aggregate. This should provide some possibility of savings as it provides some measure of scale making the responsibility for both systems a single entity responsibility. It is important that if consideration that a scoping document be prepared as the basis of entering into a contractual relationship. For comparison purposes the scoping document should compare current operational activities versus those that might be expanded to provide a better level of service.
- If existing Village water/sewer employees are interested in continuing to perform services, they could submit a proposal to the Town for consideration. Existing Village employees are knowledgeable of the systems' operation, have many years of experience, and the proper licenses required by New York State.
- As identified in C2AE's assessment of water and sewer services, another option is contracting with the Development Authority of North Country. This would be similar to the service that the Authority is presently providing as the operator for the Town of DeKalb. Development Authority staff are cross trained in water and sewer operations, visit the WWTP in Hermon daily checking the DeKalb re-chlorination equipment.

3.0 EFFECT OF DISSOLUTION ON WATER/SEWER & STREET LIGHTING COSTS

If the Village dissolves there will be no changes to Town taxpayers that presently don't receive water or sewer service – **only taxpayers paying for water and sewer prior to dissolution will pay for water and sewer after dissolution.** Current customers will be put into newly formed water and sewer districts within the Town of Hermon and the Town board will oversee the districts. Water and sewer rates and costs will not be affected by the dissolution process.

The Town will decide whether Village street lighting will be included in a special lighting district. **If a district is created then the costs of street lighting (\$10,694¹ per year) will be the responsibility of taxpayers that are within the newly formed district, where lighting presently exists.** The Town board would oversee the newly formed lighting district. Only those customers within the lighting district will be responsible for paying the costs for lighting. In this scenario, dissolution will not affect the cost of lighting as these costs are presently paid for by Village taxpayers. After dissolution the cost of lighting would continue to be paid for by district taxpayers through the creation of a lighting district. If the Town elects not to form a lighting district, then the cost of lighting would be added to Town expenses and paid for by all Town and former Village taxpayers.

4.0 EFFECT OF DISSOLUTION ON TAXES

4.1 Estimated Savings

If the Village were to dissolve there would be some cost savings. The savings that would be achieved include the following:

Annual Savings

- Salaries for the Village Mayor and four trustees (\$3,200)
- Municipal Association Dues (\$727)
- Elections (\$281)
- Insurance Savings (\$3,000)
- Savings that could be achieved by disposing of the former Village dump are \$194 per year for real property taxes
- Potential savings may be achieved from the consolidation of the Village Clerk/Treasurer and District of Public works with the Town, and will be dependent on the level of service established

One-Time Savings

- Disposition of Unused Real Property (\$44,700 plus the municipal building \$19,400)

The total annual savings that could be achieved through Village dissolution are \$7,402. The total one-time cost savings that could be achieved are \$64,100. One-time savings

¹ 2014 Village Annual Update Document

would be added to the Village’s fund balance and turned over the Town along with other assets and liabilities if dissolution proceeds.

4.2 Annual State Aid for Dissolution

Annual savings from New York State aid, awarded if the Village proceeds with dissolution, are \$99,710. In accordance with New York State requirements, 70% of the Annual Citizens Empowerment Tax Credit (CETC) must be utilized to reduce property taxes. In this case, we have assumed that 100% of the CETC could be used to reduce property taxes.

	Village	Town	Total
Actual Tax Levy (2014 from Open Books NY)	\$80,950	\$578,934	\$659,884
Annual Citizens Empowerment Tax Credit (CETC) Savings (@100%)			(\$98,983)
Estimated Annual Savings (non-CETC)			(\$7,402)
Tax Levy if Village Dissolves			\$553,499

Table 1 – Post Dissolution Tax Levy

4.3 Impact on Tax Rates

In 2014 the Village had a total taxable assessed value of real of property of \$8.8 million and the Town Outside Village (TOV) had a taxable assessed value of \$75.2 million. If the Village dissolves, then future taxes will be levied on the combined total taxable assessed value of \$84 million.

Taxable Assessed Values FY2014	
Village	\$8,834,660 (11%)
Town Outside Village (TOV)	\$75,179,798 (89%)
Total	\$84,014,458 (100%)

Table 2 – Total Assessed Values

Taxes in the Village include County, Town, Village and Fire Taxes. Water and sewer fees are also assessed to Village taxpayers that receive service. These won't change if the Village dissolves, and water and sewer fees are not included in the Village annual tax levy. Town Outside Village taxpayers pay County, Town, Town Outside Village, and Fire taxes. The total tax rate per \$1,000 of assessed value in 2014 for a Village taxpayer was \$26.02 and \$16.43 for a Town Outside Village taxpayer. Both Town and Village taxpayers also pay school taxes. However, school taxes have a separate tax levy and would not be impacted by Village dissolution.

Tax	Village	Town Outside Village
County ²	\$10.03	\$10.03
Town wide	\$5.37	\$5.37
Fire	\$1.81	\$1.03
Village	\$8.81	-
Total	\$26.02	\$16.43

Table 3 – 2014 Tax Rates per \$1,000 of Assessed Value

Fire Protection Expenses: The cost of fire protection services in the Village is \$0.78 per \$1,000 more than it is in the Town (\$1.81 versus \$1.03). The current contract with the Village for Fire Protection services is \$13,750 for the Village and \$73,169 for the Town. If the Village dissolves, then the Town will negotiate a new Fire Protection agreement that includes the Village. The Village's 2014 budget also included some additional expenses for workers' compensation which is now being handled by St. Lawrence County and will be included in the total chargeback to the Town.

Village Street Light Expenses: If the Village of Hermon dissolves, the Town and the Village would become one municipality and a single taxing entity. As such, there would not be a separate Village tax or Town Outside Village tax rate. Table 1 shows that the combined tax levy would be \$553,499 distributed over a combined taxable assessed value of \$84 million (from Table 2). This would result in a new Town wide tax rate of \$6.59 per \$1,000 of assessed value, which includes Fire Protection³. Table 4 shows the projected new tax rates assuming a new lighting district is not created and the costs of lighting are distributed among all taxpayers town wide. This would result in a new Town and County tax rate of \$16.62 which would be a decrease for current Village taxpayers of \$9.40 but would result in an increase for Town Outside Village taxpayers of \$0.19 per \$1,000 of assessed value. For a home assessed at \$50,000 that would be a \$470 per

² Includes County tax of \$8.372, Highway tax of \$1.08, and County Chargebacks of \$0.580.

³ The actual tax rate for the first year after dissolution will depend on the most recent tax levy and assessed values for the full fiscal year immediately prior to dissolution. The tax rates presented are projections based on current financial data.

year decrease for Village taxpayers and a \$9 per year increase for Town Outside Village taxpayers. For a home assessed at \$100,000 the decrease would be \$940 per year for a Village taxpayer and a \$19 per year increase for Town Outside Village taxpayers.

Tax	Village	Town Outside Village
County ¹	\$10.03	\$10.03
Town wide	\$6.59	\$6.59
Fire	Included in Town wide	
Village	-	-
Total	\$16.62	\$16.62

Table 4 – Projected Tax Rates per \$1,000 of Assessed Value (No Lighting District)

If a lighting district were created, then the expenses for lighting of \$10,694 per year would be deleted from the combined total tax levy and allocated only to current Village taxpayers. This would result in \$1.21 per \$1,000 of assessed value for Village taxpayers and a combined town wide tax rate of \$6.46. Table 5 shows the projected tax rates including a new lighting district. The Village taxpayers would pay a tax rate of \$17.70 and Town Outside Village taxpayers would pay a rate of \$16.49. For a home assessed at \$50,000 this would result in a \$416 per year decrease for Village taxpayers and a \$3 per year increase for Town Outside Village taxpayers. For a home assessed at \$100,000 the decrease would be \$832 per year for a Village taxpayer and a \$6 per year increase for Town Outside Village taxpayers. Appendix A provides estimates of tax impacts for a range of assessments assuming 100% of the CETC is utilized to reduce property taxes and Appendix B provides estimates of tax impacts assuming 70% of the CETC is utilized to reduce property taxes.⁴

Tax	Village	Town Outside Village
County ¹	\$10.03	\$10.03
Town wide	\$6.46	\$6.46
Fire	Included in Town wide	
Village Lighting District	\$1.21	-
Total	\$17.70	\$16.49

Table 5 – Projected Tax Rates per \$1,000 of Assessed Value (With Lighting District)

⁴ The tax impacts of applying 70% of the CETC towards property tax reductions versus 100% would be an annual savings of \$394 versus \$416 for a Village home assessed at \$50,000, or about a \$22 per year difference. For a Town home assessed at \$50,000, the difference would be a \$25 per year increase versus a \$3 per year increase.

5.0 SUMMARY

If the Village dissolves, assuming a lighting district is created, the projected decrease in property taxes will be 52% for current Village taxpayers and a 1% increase in property taxes for current Town Outside Village taxpayers.

Property taxes may be decreased further if:

- The Town negotiates a new rate with the Fire Department that more closely aligns with the current rate for Town Outside Village taxpayers; \$1.03/\$1,000 of assessed value versus \$1.81/\$1,000 of assessed value⁵.
- The Town assumes the Village Clerk/Treasurer functions that will remain post-dissolution at a cost less than the salary and benefits of the current Village Clerk (\$14,539⁶ per year).
- The Town assumes the existing District of Public Works personnel functions at a cost less than the salary and benefits of the current DPW (\$16,915⁵ per year).
- The Village is able to eliminate costs associated with the current Village Municipal Building (i.e., heat, electricity, phone, internet, building insurance, maintenance, etc.)

If a total of \$4,575 per year of savings is achieved from any of the items listed above, then there will be no post-dissolution tax impact on town residents. If the cost savings achieved is greater than \$4,575 per year then there would be additional tax savings for both Town and current Village residents.

⁵ The Village and Town of Edwards had the same tax rate per \$1,000 for fire protection prior to dissolution. Their 2015 rate is \$1.31/\$1,000 of assessed value. The Town of DeKalb's rate is \$1.22/\$1,000 and the Town of Russell's rate is \$1.58/\$1,000.

⁶ Clerk/Treasurer and DPW wages and benefits are computed from the 2014 Annual Update Document.

APPENDIX A - Projected Tax Rates per \$1,000 of Assessed Value

Assuming 100% of CETC is Appropriated to Reduce Taxes

from \$30,000 - \$250,000

Assessed Value	Village & Town Inside Village Taxes ⁷				Town Outside Village Taxes			
	Current (\$15.99)	New With Lighting District (\$7.67)	Projected Savings With Lighting District	New Without Lighting District (\$6.59)	Current (\$6.40)	New With Lighting District (\$6.46)	Projected Increase With Lighting District	New Without Lighting District (\$6.59)
\$30,000	\$ 480	\$ 230	\$250	\$ 198	\$ 192	\$ 194	\$2	\$ 198
\$40,000	\$ 640	\$ 307	\$333	\$ 264	\$ 256	\$ 258	\$2	\$ 264
\$50,000	\$ 800	\$ 384	\$416	\$ 329	\$ 320	\$ 323	\$3	\$ 329
\$60,000	\$ 959	\$ 460	\$499	\$ 395	\$ 384	\$ 388	\$4	\$ 395
\$70,000	\$ 1,119	\$ 537	\$582	\$ 461	\$ 448	\$ 452	\$4	\$ 461
\$80,000	\$ 1,279	\$ 614	\$665	\$ 527	\$ 512	\$ 517	\$5	\$ 527
\$90,000	\$ 1,439	\$ 690	\$749	\$ 593	\$ 576	\$ 581	\$5	\$ 593
\$100,000	\$ 1,599	\$ 767	\$832	\$ 659	\$ 640	\$ 646	\$6	\$ 659
\$110,000	\$ 1,759	\$ 844	\$915	\$ 725	\$ 704	\$ 711	\$7	\$ 725
\$120,000	\$ 1,919	\$ 921	\$998	\$ 791	\$ 768	\$ 775	\$7	\$ 791
\$130,000	\$ 2,079	\$ 997	\$1,082	\$ 856	\$ 832	\$ 840	\$8	\$ 856
\$140,000	\$ 2,239	\$ 1,074	\$1,165	\$ 922	\$ 896	\$ 905	\$9	\$ 922
\$150,000	\$ 2,399	\$ 1,151	\$1,248	\$ 988	\$ 960	\$ 969	\$9	\$ 988
\$160,000	\$ 2,558	\$ 1,227	\$1,331	\$ 1,054	\$ 1,024	\$ 1,034	\$10	\$ 1,054
\$170,000	\$ 2,718	\$ 1,304	\$1,414	\$ 1,120	\$ 1,088	\$ 1,098	\$10	\$ 1,120
\$180,000	\$ 2,878	\$ 1,381	\$1,497	\$ 1,186	\$ 1,152	\$ 1,163	\$11	\$ 1,186
\$190,000	\$ 3,038	\$ 1,458	\$1,580	\$ 1,252	\$ 1,216	\$ 1,228	\$12	\$ 1,252
\$200,000	\$ 3,198	\$ 1,534	\$1,664	\$ 1,318	\$ 1,280	\$ 1,292	\$12	\$ 1,318
\$210,000	\$ 3,358	\$ 1,611	\$1,747	\$ 1,384	\$ 1,344	\$ 1,357	\$13	\$ 1,384
\$220,000	\$ 3,518	\$ 1,688	\$1,830	\$ 1,449	\$ 1,408	\$ 1,421	\$13	\$ 1,449
\$230,000	\$ 3,678	\$ 1,764	\$1,914	\$ 1,515	\$ 1,472	\$ 1,486	\$14	\$ 1,515
\$240,000	\$ 3,838	\$ 1,841	\$1,997	\$ 1,581	\$ 1,536	\$ 1,551	\$15	\$ 1,581
\$250,000	\$ 3,998	\$ 1,918	\$2,080	\$ 1,647	\$ 1,600	\$ 1,615	\$15	\$ 1,647

⁷ Tax Rates don't include County taxes since they will remain unchanged by Village dissolution.

APPENDIX B - Projected Tax Rates per \$1,000 of Assessed Value

Assuming 70% of CETC is Appropriated to Reduce Taxes

from \$30,000 - \$250,000

Assessed Value	Village & Town Inside Village Taxes ⁸				Town Outside Village Taxes			
	Current (\$15.99)	New With Lighting District (\$8.11)	Projected Savings With Lighting District	New Without Lighting District (\$7.03)	Current (\$6.40)	New With Lighting District (\$6.90)	Projected Increase With Lighting District	New Without Lighting District (\$7.03)
\$30,000	\$480	\$243	\$236	\$211	\$192	\$207	\$15	\$211
\$40,000	\$640	\$324	\$315	\$281	\$256	\$276	\$20	\$281
\$50,000	\$800	\$406	\$394	\$352	\$320	\$345	\$25	\$352
\$60,000	\$959	\$487	\$473	\$422	\$384	\$414	\$30	\$422
\$70,000	\$1,119	\$568	\$552	\$492	\$448	\$483	\$35	\$492
\$80,000	\$1,279	\$649	\$630	\$562	\$512	\$552	\$40	\$562
\$90,000	\$1,439	\$730	\$709	\$633	\$576	\$621	\$45	\$633
\$100,000	\$1,599	\$811	\$788	\$703	\$640	\$690	\$50	\$703
\$110,000	\$1,759	\$892	\$867	\$773	\$704	\$759	\$55	\$773
\$120,000	\$1,919	\$973	\$946	\$844	\$768	\$828	\$60	\$844
\$130,000	\$2,079	\$1,054	\$1,024	\$914	\$832	\$897	\$65	\$914
\$140,000	\$2,239	\$1,135	\$1,103	\$984	\$896	\$966	\$70	\$984
\$150,000	\$2,399	\$1,217	\$1,182	\$1,055	\$960	\$1,035	\$75	\$1,055
\$160,000	\$2,558	\$1,298	\$1,261	\$1,125	\$1,024	\$1,104	\$80	\$1,125
\$170,000	\$2,718	\$1,379	\$1,340	\$1,195	\$1,088	\$1,173	\$85	\$1,195
\$180,000	\$2,878	\$1,460	\$1,418	\$1,265	\$1,152	\$1,242	\$90	\$1,265
\$190,000	\$3,038	\$1,541	\$1,497	\$1,336	\$1,216	\$1,311	\$95	\$1,336
\$200,000	\$3,198	\$1,622	\$1,576	\$1,406	\$1,280	\$1,380	\$100	\$1,406
\$210,000	\$3,358	\$1,703	\$1,655	\$1,476	\$1,344	\$1,449	\$105	\$1,476
\$220,000	\$3,518	\$1,784	\$1,734	\$1,547	\$1,408	\$1,518	\$110	\$1,547
\$230,000	\$3,678	\$1,865	\$1,812	\$1,617	\$1,472	\$1,587	\$115	\$1,617
\$240,000	\$3,838	\$1,946	\$1,891	\$1,687	\$1,536	\$1,656	\$120	\$1,687
\$250,000	\$3,998	\$2,028	\$1,970	\$1,758	\$1,600	\$1,725	\$125	\$1,758

⁸ Tax Rates don't include County taxes since they will remain unchanged by Village dissolution.