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Dissolution of the Village of Macedon

Review of Potential Fiscal and Service Impacts

May, 2015

Prepared for:

Village of Macedon

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Summary

The Village of Macedon was presented with a citizen petition for dissolution under Article 17-A of General Municipal Law. Under the citizen petition process, a referendum on the decision to dissolve occurs before a specific dissolution plan is drafted. In order to inform the electors in the Village, the Board of Trustees commissioned a high level analysis of fiscal and service impacts of a potential dissolution.

This analysis finds that Village of Macedon residents stand to realize substantial real property tax savings of about 40 percent with almost no reduction in services. Town of Macedon residents outside the Village would also see property tax savings of about 12 percent because of the additional state aid to the town through the New York State Citizen's Empowerment Tax Credit. Town residents outside the Village are not allowed to vote on the dissolution, however.

After dissolution, the Village residents would see changes in who provides some of their municipal services. The Town of Macedon already provides many services to the Village residents and has the capacity to expand to provide the remaining services to the Village either directly or through special districts. The Wayne County Water and Sewer Authority would likely provide water to Village residents through a special district after dissolution and they'd also likely assume ownership and operation of the Village's sewer plant.

The estimated property tax savings would come from a combination of service efficiencies and new revenue from the Citizens Empowerment Tax Credit, a state program.

Acknowledgements

The work on this project was facilitated by Mayor Marie Cramer, Supervisor William Hammond, the Village Board of Macedon, the Town Board of Macedon and the employees of each municipality. Martin Aman of WCWSA provide information related to the water and sewer services.

Staff Team

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Introduction

The Village of Macedon was presented with a citizen petition for dissolution under Article 17-A of General Municipal Law. Under the citizen petition process, a referendum on the decision to dissolve occurs before a specific dissolution plan is drafted. In order to inform the electors in the Village, the Board of Trustees engaged the Center for Governmental Research (CGR) to conduct a high level analysis of fiscal and service impacts of a potential dissolution.

Review Findings

If the voters of the Village of Macedon choose to support the dissolution referendum, property owners stand to realize substantial real property tax savings of about 40 percent. Town of Macedon residents outside the Village would also see property tax savings of about 12 percent because of the additional state aid to the town through the New York State Citizen's Empowerment Tax Credit¹. Although the impact on Town residents living outside the Village is significant, only Village voters are permitted to cast a ballot in the referendum.

After dissolution, the Village residents would see changes in who provides some of their municipal services. The Town of Macedon already provides many services to the Village residents and has the capacity to expand to provide the remaining services to the Village either directly or through special districts. The Wayne County Water and Sewer Authority would likely provide water to Village residents through a special district after dissolution and they'd also likely assume ownership and operation of the Village's sewer plant.

Tax Rate Changes

While the decision to dissolve is not a purely fiscal decision by the electorate, the projected impact on the tax bill is certainly a concern to the potential voters. The tables below show the current tax rates and projected tax rates.

¹ If the CETC is not received, Village residents would see savings of 34 percent and Town residents would see an increase of about 6 percent. The CETC is tied to state aid to municipalities in state fiscal law and is currently being paid to multiple communities that have had a dissolution or merger. There is no reason to believe that the Town of Macedon would not receive the additional aid if the Village dissolved.

Current Tax Rates

Village property owners currently pay Town and Village taxes of \$8.37 per \$1000 of assessed value (AV). This compares to \$4.22 for residents of the Town living outside the Village.

NOTE: The Town of Macedon is responsible for all property tax assessments and historically maintains the roll either at or very near full value. The equalization rate for 2015 is .99.

Current Tax Rates	
Tax Rate Comparison	2014 Rate
Townwide General	\$ 1.9057
Townwide Highway	\$ 0.8895
TOV General	\$ -
TOV Highway	\$ 0.5049
Village Tax (2014-15 rate)	\$ 5.5765
Macedon Center FPD	\$ 0.7700
Macedon/Farmington FPD	\$ 0.9200
Current Village Net Rate	\$ 8.37
Current TOV Net Rate w/ Fire*	\$ 4.22

* The Macedon/Farmington Fire Protection District is used as an example.

Projected New Tax Rate

The projected rates are based on changes to the Town of Macedon budget to accommodate providing additional services to the Village.. The new projected town budget eliminates about \$290,000 in expenses in the areas of governance, justice court, ambulance service, and the fire department. See below for more detail on the rationale for changes, how these services would be provided and the justification for the estimate of savings.

This does not assume any efficiencies in Village public works spending. These responsibilities and the costs associated with them would pass to the Town. The water and sewer funds remain separate operations and do not directly impact the property tax rate. After dissolution, there would be a single municipal tax rate for the whole Town, although a separate highway tax might still be maintained.

Village residents would be responsible for any residual debt after dissolution and also for sidewalk, light and brush pickup districts. While the sidewalk, lights and brush

district would continue long term, the debt district would dissolve when the debt was paid off, probably after about 10 years.

Projected Rates including CETC Impact	
<i>Description</i>	<i>Rate per \$1000</i>
Projected New Townwide Rate	\$ 2.90
Projected New Townwide Rate w/ Fire *	\$ 3.82
Village Debt District	\$ 0.50
Village Sidewalk, Lights and Service	\$ 0.60
Net Village Tax	\$ 4.92

* The Macedon/Farmington Fire Protection District is used as an example.

Village residents would see a real property tax savings of about 40 percent with dissolution. For a median value home (\$125,000), the cost for municipal property tax is estimated to drop from \$1046 to \$615. The rates would be lower if all Village debt is retired prior to dissolution.

Review Methodology

A traditional dissolution study takes six to nine months and involves a committee of residents (including elected officials) that helps inform a variety of decisions and options related to how dissolution would occur. In a citizen petition process, such as the current situation in the Village of Macedon, the residents are asked to vote on the question of dissolution without a formal plan.

The Village Trustees engaged CGR to conduct a high level review to provide context of potential fiscal and service changes for residents to consider prior to their vote. This review is not intended to replace a formal planning process but provide estimates of the fiscal impacts based on reasonable assumptions of changes to services in the Village that would occur with the dissolution.

CGR reviewed the budget documents for the Village (2014-15) and Town (2014), the Village's audit for the last fiscal year (ended May 31, 2014), and the Village's insurance documents. CGR met with officials of both the Village and the Town to obtain the necessary information. CGR also spoke with representatives of the Wayne County Water and Sewer Authority.

To project the potential impact on the Village, CGR compared the cost of providing the services based on the past budget and estimated what they would cost in the future. Each service area that the Village currently provides is described below with potential cost savings also highlighted. Other considerations such as changes in sales

tax distribution and the Citizen's Empowerment Tax Credit are discussed. The projected savings are for the year after the dissolution occurs, as there would be costs associated with dissolution that are often supported by state grants.

Village and Town Overview

The Village has about 17 percent of the residential population and 13 percent of the taxable assessed value of the Town. The Town and Village have comparable rates of poverty, median home value and owner occupancy rates. The Village's median income is about 20 percent higher than the Town as a whole.

Demographic Comparison of Village and Town			
	Village	Town Outside Village	Whole Town
2010 Population	1523	7625	9148
Square Mileage	1.2 sq. mi.	37.7 sq. mi	38.9 sq. mi.
Median Income (2013)	\$71,406	n/a	\$ 59,266
Percent Below Poverty	6.5	n/a	6.8
Housing Units (2013)	560	3175	3735
Owner Occupied %	75	n/a	78.3
Median Home Value (2013)	\$124,200	n/a	\$ 139,100
Taxable Assessed Value (Millions 2014)	\$ 71.4	\$ 491.6	\$ 563.0

Sources: Census, ARC/GIS, Wayne County

Village Services

The Village of Macedon is a general purpose government that provides a variety of services to its residents. Most of the services are supported by a general fund that is based on property tax, sales tax and some departmental fees. The water and sewer services are supported by separate funds that are supported on user fees.

Governance

After dissolution, the Town of Macedon government would be responsible for all aspects of local municipal services and regulation. All aspects of village government operations would transition to the Town or cease operations on the dissolution date.

The following governance positions would be eliminated at dissolution:

- Mayor
- Trustee
- Clerk/Treasurer and deputies
- Historian
- All Planning Board and Zoning Board Functions
- Attorney

All salary as well as any support services associated with those functions would be eliminated.

The Town would need to add functions related to managing the cemetery sales and fees as well as contracting for services at the cemetery currently operated by the Village. The expenses related to the cemetery would be moved to the Town. The salary and contractual expenses for the Town Historian would be increased by the amount currently spent by the Village. All expenses for mayor, clerk/treasurer, trustee, attorney, planning board and zoning board would be eliminated at dissolution.

Public Safety

The Town of Macedon Police and Wayne County 911 Center already provide services to the Village. The Village does provide ambulance and fire service to its residents. Both of these services have seen substantial reduction in demand in the last several years as the Town has supplanted these services with their own ambulance and by contracting for fire protection with fire departments outside the Village.

Ambulance Service

The Village of Macedon Ambulance is currently staffed by volunteers and provides mostly basic life support (EMT level) service only to the Village. The Town of Macedon Ambulance service is already dispatched to *all calls* in the Village at the time of the call and provides advanced life support (Paramedic level) service. The Town's ambulance paid staff answers 97 percent of its calls, while volunteers provide service on the rest. The level of service would remain effectively the same for the territory in the Village.

Following dissolution, the Village of Macedon Ambulance would cease operations. All expense and revenue associated with the ambulance would be eliminated

Fire Service

The Village of Macedon Fire Department is currently staffed by volunteers and provides primary fire and rescue response only to the Village. The Town of Macedon contracts with the South Macedon Fire Department for all territory in the town outside the village that is south of the Erie Canal. The Town Board has indicated that they would likely contract with the South Macedon Fire Department to provide service after dissolution and the area of the Village would become a part of the Macedon Farmington Fire Protection District. The current tax rate (\$0.92 per thousand) would raise an additional \$66,000 for that fire protection district.

Following dissolution, the Village of Macedon Fire Department would cease operations. At the municipal level, all expenses related to the department would be eliminated.

Alternative Disposition for Fire Service

The Town of Macedon could form a fire protection district just for the Village and contract with the existing Village of Macedon Fire Department personnel to operate a fire response in the Village. Using the 2014-15 budgeted expense for the fire department (\$108,428 general fund, and \$32,185 for fire truck bond) this would cost about \$2.00 per assessed thousand or double the cost of contracting to an outside fire department. Under the existing Village 2014-15 Budget, the cost of the Fire Department is about \$1.02 per thousand because of other revenues in the general fund such as sales tax and state aid. An independent fire district would rely primarily on property tax revenue and result in the higher figure.

Justice Court

The Village Justice Court would be dissolved along with the Village. The Town of Macedon would become responsible for all cases that originate in the Town. The Town Justice Court does not believe that it would need to add additional staff at this time to handle the case load of the Village.

All expenses related to the Justice Court could be eliminated. The table below illustrates the case volume, fines and surcharges generated by the court.

	Cases Started	fines	surcharges
2011	665	\$ 53,640	\$ 36,443
2012	583	\$ 51,696	\$ 33,309
2013	972	\$ 86,760	\$ 58,521
2014	1012	\$ 94,312	\$ 64,769
Average	808	\$ 71,602	\$ 48,261

Department of Public Works

The Village DPW provides three primary lines of service – general fund, water and sewer. Under their General Fund role they maintain highways, streetlights and sidewalks; pick up debris and brush; maintain Village property and provide service to the Village cemetery. Water and sewer services are managed under their own funds, while the rest of the services are part of the General Fund.

General Fund Operations

The Town would take over all operations to maintain the Village's streets, sidewalks, streetlights, and storm sewers. The Town would also continue to operate the cemetery and parks in the Village. In order to accomplish all these services, we modeled that the Town Highway budget would need to increase by an amount equal to the current expenditures in these categories. This should provide the Town with enough funding to support at least 2 full time employees and the additional supplies. The Town would also receive the CHIPs funding currently received by the Village.

Lighting and Sidewalk District

The Town would need to establish a district to continue provide street lighting and to maintain the sidewalks in the former Village. In order to maintain the current brush and debris services in the village, \$10,500 in personnel expenses are projected to be an expense of the district. The cost for these services is projected to be about \$40,000 or \$0.55 per assessed thousand.

Water Service

The Village currently charges its residents under a fee for service model separate from the property tax. The Town would continue this model. The Town contracts with the Wayne County Water and Sewer Authority (WCWSA) to provide these services and is projected to extend the contract to the area of the Village.

The rates to the residents in this district will be based on the base service rate plus any additional funds needed to support the capital needs of the district. The Village has deferred maintenance on both the water mains and a holding tank in the district. The costs to repair those items will be the responsibility of ratepayers regardless of dissolution. Without knowing the infrastructure costs, it is not possible to estimate the rates for the service under the WCWSA.

Sewer Service

The Village currently charges its residents under a fee for service model separate from the property tax. The Town would continue this model. The Town contracts with the Village to provide these services currently. Under dissolution, the Town would look to have the WCWSA take ownership of the sewer plant and operate it. Capital needs associated with the system would be borne by the ratepayers regardless of dissolution. The Village has recently begun the process to authorize up to \$7,000,000 in debt to fund repairs to the system. This loan will be from the NYS Environmental Facilities Corporation and will be at a reduced bonding rate.

Building Inspection and Zoning

The Village currently employs a part time building inspector to inspect buildings and enforce zoning. The Town has a full time engineer and several other staff members that handle those functions in the Town. The Town has indicated that it would be able to manage the volume of inspections without adding additional staff. Under the dissolution model, all expenses and revenue related to this service are eliminated.

Employee Benefits

The Village has five full time employees that receive health, retirement and other benefits. The total cost in the General Fund is about \$76,000. All those expenses are modeled to move to the Town in anticipation of needing to add 2 to 3 new full time employees to manage the additional work for the highway department. Also, \$16,500 in Social Security contributions are also moved to the Town.

Post-Employment Benefits

The Village does not have any liability for post-employment benefits for current or past employees.

Village Debt

The Village currently has two bonds totaling \$645,000. The first is a bond for sewer repairs and equipment purchases that will be retired in 2017. The payment is \$130,000 per year. The outstanding debt as of May 31, 2014 is \$375,000.

The second is a bond for a fire truck that is scheduled to be retired in 2024. The current payment is about \$33,000 per year. The outstanding debt as of May 31, 2014 is \$270,000. Any general fund debt that is not retired prior to dissolution would be paid for by a special district.

Assets and Fund Balance

The list of Village assets is appended to this report. The estimated replacement cost for the items exceeds \$10.1 million dollars. The summary shows that most valuable asset in the Village is the Sewer Plant. The fire department and ambulance service also have considerable assets. The Village would be responsible for developing a plan for disposition of assets as part of a dissolution plan. The Village could choose to sell them seeking a fair market price or transfer them to another governmental entity for minimal cost.

Assets by Department	
Cemetery	\$ 7,500
Fire/Ambulance	\$ 3,746,900
General	\$ 342,200
Parks	\$ 121,600
Highway	\$ 747,950
Sewer	\$ 4,741,355
Water	\$ 433,500
Total	\$ 10,141,005

Source: Village Insurance Documents

The Village has a capital reserve fund totaling \$327,000 set aside to replace an ambulance, fire truck, and highway equipment. The Village also has other fund balances in each of its operating funds for repairs, appropriated to reduce the tax levy and unassigned to be used as decided by the Board. There is also a \$218,000 trust fund that the Village is currently restricted to using only the proceeds from investments of that fund. The details of the trust were not available at the time of this report.

Village of Macedon Fund Balances (May 31, 2014)					
	General	Water	Sewer	Trust	Total
Trust Fund	\$ -	\$ -	\$ -	\$ 218,201	\$ 218,201
Restricted- Capital Reserve *	\$ 327,059	\$ -	\$ -	\$ -	\$ 327,059
Committed - Repairs	\$ -	\$ 10,000	\$ 84,951	\$ -	\$ 94,951
Assigned -Appropriated for Taxes	\$ 75,000	\$ 17,664	\$ 48,368	\$ -	\$ 141,032
Unassigned	\$ 135,789	\$ 153,044	\$ 174,851	\$ -	\$ 463,684
Total Fund Balance**	\$537,848	\$180,708	\$308,170	\$218,201	\$1,244,927
* Designated between ambulance replacement, fire truck replacement, highway equipment and cold storage					
** Excludes \$5 million in fixed assets					
Source: 2014 Financial Statements					

Sales and Other Taxes

In Wayne County, the local municipal share of the sales tax is divided among the municipalities based on population. The Town would receive the Village's current share after dissolution.

The Town is not eligible to collect the estimated \$25,000 in utilities gross receipt taxes that the Village currently collects. All other taxes are projected to be collected by the Town in the future in the same amount that the Village collects them now.

Citizen's Empowerment Tax Credit

The Citizen Empowerment Tax Credit is an incentive payment provided to municipalities by the Legislature pursuant to Article 4-A Section 54 of the State Finance Law for municipalities that merge or for the successor municipalities after dissolution. All the municipalities that have dissolved since the law was enacted are receiving this grant.

The grant comes as additional annual aid to local governments and is equal to 15% of the combined amount of real property taxes levied by all of the municipalities involved in the consolidation or dissolution, not to exceed \$1 million. By law, at least 70% of the aid shall be used as direct property tax relief while the remaining amount may be used for general municipal purposes. The estimated aid to the Town would be \$ 333,000 based on 2014 and 2014-15 tax levies. This aid would be received the year after the dissolution took effect.

Future Steps

On June 10, 2015, the voters in the Village of Macedon will decide whether or not to dissolve the Village. If the voters choose to dissolve the Village, the Trustees and Mayor will need to empanel a dissolution committee to develop a formal dissolution plan that accounts for all the assets, employees and laws in the Village. The dissolution committee planning process will take several months and it will include setting a date for the legal dissolution of the Village. The dissolution committee would be able to work with the Town and other organizations to create a plan to have the best possible outcome for Village residents.

Appendix: Village Assets

Village of Macedon Assets and Replacement Cost			
Department	Description	Building/Vehicle/ Equipment Value	Contents Value
TOTAL	Total	\$ 10,140,645	\$ 179,800
Fire/Ambulance	1985 Shoreliner trailer (small boat transport)	\$ 2,000	\$ -
Fire/Ambulance	1991 Chevy mini- pumper	\$ 125,000	\$ -
Fire/Ambulance	1991 Spartan ladder truck	\$ 750,000	\$ -
Fire/Ambulance	1992 Ford F350 club van	\$ -	\$ -
Fire/Ambulance	1995 Spartan fire truck	\$ 350,000	\$ -
Fire/Ambulance	1997 Ford rescue van	\$ 35,000	\$ -
Fire/Ambulance	1998 Proline trailer (enclosed trailer)	\$ 1,500	\$ -
Fire/Ambulance	2001 Spartan fire truck	\$ 425,000	\$ -
Fire/Ambulance	2002 Ford ambulance	\$ 225,000	\$ -
Fire/Ambulance	2002 Ford ambulance	\$ 225,000	\$ -
Fire/Ambulance	2009 Sutphen fire truck	\$ 750,000	\$ -
Fire/Ambulance	2013 Chevy Tahoe ambulance fly car	\$ 42,100	\$ -
Fire/Ambulance	John Deere Gator (2- passenger 6x4 ATV)	\$ 6,000	\$ -
Fire/Ambulance	1985 Smoke Craft pontoon boat	\$ 2,000	\$ -
Fire/Ambulance	25 HP Merc. Cruise Engine	\$ 2,000	\$ -
General	Village hall	\$ 342,200	\$ 36,800
Sewer	Treatment plant	\$ 3,184,000	\$ 39,400
Highway	DPW garage	\$ 350,100	\$ 45,000
Sewer	Pump house	\$ 163,500	\$ -
Sewer	Final clarifier	\$ 904,100	\$ -
Sewer	Pump house storm water	\$ 3,000	\$ 7,500
Sewer	Pump house trickling	\$ 241,500	\$ -
Sewer	Primary clarifier	\$ 177,500	\$ -
Sewer	Shed	\$ 5,400	\$ -

Department	Description	Building/Vehicle/ Equipment Value	Contents Value
Cemetery	Cemetery - Vault	\$ 7,500	\$ -
Water	Water tower	\$ 433,500	
Parks	Gravino Park concession/restrooms	\$ 37,500	
Parks	Gravino Park storage building	\$ 14,000	\$ -
Parks	Gravino Park pavilion	\$ 14,700	\$ -
Parks	Gravino Park gazebo	\$ 3,500	\$ -
Fire/Ambulance	Fire department station	\$ 786,300	\$ 37,900
Parks	Canal Park pavilion	\$ 39,400	\$ 13,200
Parks	Canal Park gazebo	\$ 7,100	\$ -
Parks	Brickford Street Park gazebo	\$ 5,400	\$ -
Highway	1994 Ford F800 truck	\$ 32,000	\$ -
Sewer	2003 Seca trailer- mounted sewer cleaner	\$ 28,000	\$ -
Highway 80%, Water 10%, Sewer 10%	2011 Chevy K2500	\$ 25,000	\$ -
Highway 20%, Water 10%, Sewer 20%	1999 Chevy 7500 plow	\$ 20,000	\$ -
Highway	2004 TWF utility trailer (flatbed, 5'x10')	\$ 750	\$ -
Highway 70%, Water 10%, Sewer 20%	2011 Chevy 2500 dump truck	\$ 43,743	\$ -
Highway	2001 Chevy 3500 dump truck	\$ 20,000	\$ -
Highway 50%, Water 10%, Sewer 40%	2012 Chevy Silverado with plow	\$ 34,355	\$ -
Highway	Miscellaneous tools & equipment	\$ 22,000	\$ -
Fire/Ambulance	1836 Rumsey hand- drawn pumper	\$ 20,000	\$ -
Highway	Black top roller, 8HP	\$ 7,000	\$ -
Highway	1999 street broom	\$ 2,800	\$ -

Department	Description	Building/Vehicle/ Equipment Value	Contents Value
Highway	1990 New Holland backhoe	\$ 35,000	\$ -
Highway	2002 Brush Bandit wood chipper	\$ 16,500	\$ -
Highway	2004 John Deere lawnmower	\$ 18,000	\$ -
Highway	2006 Giant Vacuum 3010TR leaf loader	\$ 25,000	\$ -
Highway	2007 Kubota tractor	\$ 16,000	\$ -
Highway	Mohawk 2 post, 7.5 ton lift	\$ 12,000	\$ -
Highway	1999 Ingersoll Rand portable air compressor	\$ 8,000	\$ -
Highway	2002 Genie 34' boom lift	\$ 13,000	\$ -
Highway	2010 Grasshopper lawn mower	\$ 16,000	\$ -
Highway	1985 Ford 1710 tractor	\$ 10,000	\$ -
Highway	2007 spreader	\$ 3,700	\$ -
General	Computer hardware & software	\$ 50,000	\$ -
General	Mitsubishi projector & case	\$ 997	\$ -