

**Fostering Exchange
With Local Governments:
New York State Department of
Transportation Region 7 Office of
the Regional Maintenance Engineer**

*This report was prepared in partial
fulfillment of contract requirements for:*

*“Cost Effectiveness of
Consolidating Government Highway Services”
A New York State Department of
Transportation Research Contract*

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Cooperative Highway Services Case Study Report: Number 6

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the Regional Maintenance Engineer**

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Fostering Exchange With Local Governments: New York State Department of Transportation Region 7 Office of the Regional Maintenance Engineer¹

Overview

In the early 1990s the Region 7 office of the New York State Department of Transportation entered into service agreements with two local governments in the region. One of these opportunities for cooperation was initiated by the local government. The regional maintenance engineer was involved in bringing each of these opportunities to a signed agreement. In the process NYSDOT's Regional Director communicated his support for this kind of cooperation. The regional office took initiative to develop some standard agreement language for such exchange agreements, distributed it to NYSDOT county resident engineers in the region and expressed administrative support for agreements that led to cost savings or improved service delivery. This response and initiative by the regional office communicated an openness by NYSDOT to working with local governments in the region. As a result over a dozen such continuing service agreements have been signed between NYSDOT and a local government in Region 7. All but one of these agreements are "barter" agreements in which services or materials are exchanged with no money exchanged. In addition a variety of more limited sharing agreements have taken place in the region between NYSDOT resident engineers and local government highway departments.

Importance

Most of NYSDOT's 11 regional offices contract with some local governments for snow and ice removal on state owned road mileage. In a similar manner, there are numerous contracts for arterial maintenance between NYSDOT regional offices and cities with state arterial mileage within their boundaries. In many of these regions, NYSDOT resident

¹ This is one of six case study reports prepared under contract with the New York State Department of Transportation (NYSDOT). The report is intended to be useful for: relevant NYSDOT staff, local government officials and those who staff and advise local highway departments. A list of all project reports is at the end of this report. This case study is based largely on a single interview with the New York State DOT Regional Maintenance Engineer. As a result the report does not attempt to draw conclusions based on evidence confirmed from several sources but reports information gained through the interview. Other case studies in this series involved numerous interviews and document collection that enabled corroboration of information and permitted conclusions or findings about key study concepts and questions. A draft of this report was reviewed for general content and accuracy by an involved NYSDOT staff person.

engineers arrange to share equipment and work cooperatively with local governments on various projects in the involved jurisdictions.²

The cooperative activity in NSYDOT Region 7 is distinct and important in two respects. By focusing on barter arrangements that exchange only material or services (e.g., equipment use, salt storage and loading, or skill -- like paving crews) NYSDOT staff have been able to increase the volume of useful exchange with local governments without becoming encumbered in the long process that is required for approval of agreements when state money changes hands. It is similar to the level and kind of cooperative activity among local government highway officials. This activity, that DOT resident engineers in Region 7 are engaging in, is exemplary of a new level of cooperation by NYSDOT. If this kind of activity were encourage throughout the State's regions it may have the potential to greatly improve the operation of the highway maintenance system in New York State.

The state's road system is a web of state, county, town, village and city road mileage (see Figure 1, below). The state and local governments are all major players in helping work together as efficiently as possible to maintain this inter-related road network to ease the transportation of people and goods and promote economic health in New York.

² For example NYSDOT Region 1, headquartered in Albany, reported a number of sharing arrangement comparable to those in Region 7. In Albany County NYSDOT has a maintenance facility in the Town of Colonie. This facility developed problems with leaking underground storage tanks. A cleanup was required and a new fuel facility. The town of Colonie had recently installed a new fueling facility for their vehicles about one mile from the NYSDOT site. NYSDOT was able to contract with the Town for fuel. This saved NYSDOT the capital costs to construct their own facility. This was consummated with a written agreement on a one year pilot basis that has since been continued. Second, the NYSDOT Traffic Control Group in Region 1 has an agreement with the Town of Colonie. DOT maintains Colonie's 25-30 traffic signals in exchange for highway signs made by Colonie.

A number of other smaller agreements between NYSDOT and county or town maintenance groups in Region 1 were also noted. In Warren County the Town of Lake George houses snow plow equipment for the state in exchange for salt. The Town of North Creek does some facility and equipment sharing with the state. Albany County helps state trucks reload in exchange for salt. Warren County uses one of the state's salt storage facilities in exchange for other services.

Figure 1
Centerline Highway Mileage Maintained by New York State
and Local Governments, 1995*

Government Type	Centerline Highway Mileage	Percent of Total
Town	57,084.86	51%
Village	6,237.76	6%
City	11,864.23	11%
County	20,387.38	18%
State	16,486.38	15%
Total	112,060.61	100%

*Source: The mileage figures in this table were taken from Table 1, page 1 of the "1995 Highway Mileage Report for New York State." Published by the New York State Department of Transportation, Data Services Bureau.

History

In 1990 the Pamela Town highway superintendent approached the DOT Region 7 maintenance engineer about storing salt in a Region 7 salt storage facility. He wanted to use more salt on town roads but the town did not own an adequate storage facility. Region 7 DOT needed to regularly replenish salt at a distant single truck garage with salt storage and had limited patrol or crew trucks available to replenish the site. Through a formal agreement the regional maintenance engineer arranged for the state to trade salt storage near the town's site in exchange for town hauling of salt to the remote site using larger town trucks that were idle in the winter. Because of this trade the town was able to use more salt without the expense of a new salt storage facility and the state greatly reduced the cost of replenishing its remote facility with salt.

Two or three years later DOT's underground fuel tanks at their Lowville facility started to fail. Up-to-date electronically managed replacement systems for these tanks cost in the order of \$200,000. Lewis County had just built a new fueling facility approximately one mile away from the DOT site on the same road. The Regional Maintenance Engineer contacted the county highway superintendent about the possibility of using the new county facility. The county superintendent welcomed the opportunity. After signing an agreement the state began fueling at the new county facility and the state avoided the capital costs of building a new one only a mile away. It took about 18 months to complete an approved, signed agreement which involved state payment for fuel to Lewis County.

These two initial opportunities communicated to local governments that they could work with the state DOT in the region. From these two initial arrangements, a series of joint opportunities have arisen one after the other. The regional office now has over a dozen such ongoing

agreements based on a barter of services between the NYSDOT in Region 7 and local municipalities. A variety of other short term arrangements are usually in process.

A recent example of this continuing activity involves a trade of facility use or space for salt. The state's county resident engineer in Jefferson County is currently negotiating an agreement with the Village of Black River to locate and deploy two plow trucks at the village's highway garage site in exchange for a fixed tonnage of salt per year. The deployment would also include the use of the town loader for filling state trucks so they start work directly from the town site. This opportunity or trade solves a logistic problem for the state in getting trucks to state highway mileage in the eastern part of the county. Locating the state equipment at the Black River facility will reduce state truck travel time by an hour in getting to and from their plow routes and increase the amount of time a plow can operate on its designated route.

Keys to Promoting NYSDOT Cooperative Activity with Local Governments

Locally Based Exchanges. Region 7 staff believe that it is important to keep the opportunity or ability to make exchanges at the local level. For NYSDOT this means that county resident engineers need the flexibility to pursue beneficial cooperative opportunities as they identify them. While the support and approval of regional office staff is necessary, resident engineers are generally the most in touch with deployment, investment and sharing opportunities that arise. Most opportunities depend on local identification, communication and negotiation.

Local Relationships. Ongoing cooperation and joint service activity requires both trust and individuals who can work together. For DOT this means that the local resident engineer and county highway superintendents or public works directors need to trust each other and be willing to work together. To help build this kind of relationship, the Region 7 maintenance engineer encourages resident engineers to be careful to follow through on their part of cooperative agreements and take good care of equipment lent by other governments. These factors help maintain and build a greater sense of confidence and trust in the state as a working partner.

Valuing Exchanges. It is important to use standards for estimating the value of exchanged services and materials. In many cases the NYSDOT equipment rates or market prices for materials are adequate for valuing "bartered" services and materials. In other cases the value of a piece of equipment for an hour or a day will vary based on the conditions and circumstances the equipment is used under. Region 7 leadership has found it important to let decisionmakers closest to the scene (e.g., resident engineers and their counterparts) determine what is a fair value of exchange. This permits deviation from standard or cash value when circumstances warrant it. This does not diminish the importance of maintaining accurate, clear records of amounts of exchanged materials, equipment use, etc. Accurate records are essential for management, evaluation and auditing purposes. It is important for regional staff to examine cooperative agreements to help avoid situations where one party gets inordinate value in an exchange relationship.

Regional Leadership. Regional leadership in support of beneficial cooperation is important even though the source of most opportunities comes from local situations. If regional administrators value cooperative relationships and activities they need to communicate that support. In Region 7 this support was demonstrated by helping work through the details of cooperative arrangements, by communicating support verbally and in writing and by facilitating the development of acceptable standard language for agreements.

If local resident engineers are the key staff position for identifying beneficial cooperation, then the regional maintenance engineer has an important role in supporting cooperative activities. The regional maintenance engineer supervises DOT county resident engineers within their region. The regional maintenance engineer approves their resources (e.g., operating budgets, personnel, equipment, and facilities). The maintenance engineer approves their programs, evaluates their productivity and the quality of their work.

Building on Existing Contract Experience. The Region 7 barter agreements have drawn on experience with DOT's snow and ice control agreements with localities. These agreements, which are used in most NYSDOT regions, provided a model for structuring a general approach to barter agreements for services and materials. The barter arrangements between local governments and NYSDOT in Region 7 have always been conducted by a written agreement. In each case there is a resolution by the local government governing board giving authority to public works or highway superintendent to enter into an agreement with the state. On the state side, the local resident engineer gets approval from the regional office (regional maintenance engineer and director) to enter into the agreement. In the agreements used by NYSDOT Region 7 there is no language that helps clarify liability issues. Some legal guidance or clarifying state legislation in this area to establish a liability framework would be helpful.

The potential of having cooperative arrangements audited is one of the greatest risks for DOT staff. The region's barter agreements are yet to be audited. Since they have not been audited, standards for barter based audits have not been established. An unfavorable audit, even if unfair could go a long way in squelching new cooperative initiatives.

Expanding Contracting to State Money Payment for Local Services

From NYSDOT's point of view it is possible to look at counties, towns, cities and villages as an abundant resource of equipment manpower and facilities. These resource are located close to local road systems and in many cases are deployed logistically to handle work that DOT needs to do. NYSDOT is increasingly contracting out for specialized equipment and services that local governments can provide. There are probably abundant opportunities for NYSDOT to contract with local municipal departments and pay for cost effective assistance in delivering state highway services. Conversely there are likely to be many effective opportunities for local governments to fruitfully contract for payment with NYSDOT for services and facilities. For example, as Region 7 barter exchanges have demonstrated, one service the state can offer to geographically proximate local governments is the storage of salt and sand. The state has taken the lead in the construction of these facilities and in many cases their proximity and size could yield substantial savings for municipalities in some form of barter or paid sharing arrangements.

However, administrative time and cost are a real disincentive for NYSDOT operating personnel keeping them from entering into contracts with localities where an exchange of dollars is needed. When state agencies seek approval for entering into an agreement with a municipality and the state pays money for local government service, a long process is initiated which requires approval by the state comptroller and attorney general. One exception is the annual processing of the hundreds of snow and ice control agreements entered annually into by NYSDOT. These agreements seem to make it through the multiagency approval process in about three months. Contrast this with the 18 months required from initiation to completion of a finalized contract with Lewis County (noted above) to purchase fuel for use in state owned equipment in the area. Existing state legislation governing state arterial maintenance agreements within cities also provides another portion of law governing state local agreements that could be useful in guiding law to ease the process of forming and administering highway partnerships.

A number of things would help in reducing these time lags and administrative costs. An effort should be made to streamline the pre-approval process, including approvals by the state Comptroller and the state Attorney General. Some delegation of approval could be exchanged for increasing the level of auditing. Regarding this change, it would be worth assessing the current costs of approval and comparing the effectiveness of reducing either the steps in the approval process or the number of agreements requiring full approval (and therefore reducing approval costs) in exchange for increased resources for auditing under a system of reduced, centralized contract approval. A part of this streamlining should include a consideration of raising the limit that could be expended regionally without central approval. A dollar ceiling between \$25,000 and \$50,000 has been suggested.

Capacity, Priority and Comparative Advantage

Some have argued that the ability of governments to contract with each other for services is evidence of “excess capacity” in the intergovernmental service delivery system. In some cases this is true when an existing resource is underutilized and a contract with another government, whether state or local permits a fuller use of existing manpower, equipment, etc. A fuller utilization of existing capacity is good. As long as there is fair reimbursement or compensation for services we would expect both parties (and their constituents) to be better off as a result of such an agreement. In reality there are at least two other possibilities when local governments contract for or trade services and materials. In some cases there is a reprioritization of activities and in other cases there is an exchange in which each party is able to produce a good or service for which they have a comparative advantage due to specialized equipment and/or skills.

In the case of reprioritization, one or both of the involved governments were operating at or near full capacity when they agreed to a contract to provide or exchange service. To do the required additional work without increasing personnel, equipment, etc., the local government must produce more efficiently (do more work with the same resources) or change the set of activities that get accomplished, e.g. reprioritize. Reprioritizing is only a problem if the government stops doing things that are essential or more important to their constituents than the new work that is taken on.

In the case of using comparative advantage from specialization, both governments will end up being more efficient. For example, NYSDOT Region 7 has very efficient paint striping equipment and personnel and the City of Watertown has efficient equipment and trained personnel for cleaning catch basins. Region 7 has many catch basins to clean but only one catch basin cleaner, so they entered into an agreement to do paint striping on Watertown's streets in exchange for the City cleaning the limited number of state owned catch basins on state arterial mileage within the City of Watertown. We would expect that both governments make out by getting work done or service provided by the more efficient producer. This should free up productive resources for other highway work or reduce the total cost of service provision for both parties. To some degree both governments in this case either have available capacity in the area of specialization, or they are able to add or shift enough productive resources to take on additional work.

Mutual Benefits and Costs

Local governments and other organizations cooperate in, contract for or consolidate service activities because they derive mutual benefits. These organizations will weigh the perceived costs or disincentives to change against perceived benefits in making a decision to cooperate, contract or consolidate. What were the anticipated benefits for NYSDOT Region 7 and the local governments participating in this activity? Have these benefits been realized? What were the presumed costs or disincentives? Have these been realized?

Cooperation between NYSDOT and local governments in Region 7 were generally motivated by incentive to reduce costs and improve service delivery. The importance of these motivations vary depending on the particular agreement in question. In the examples mentioned above NYSDOT was motivated by a desire to reduce both operating (reduce salt hauling costs-- Town of Pamela) and capital costs (agreement to purchase fuel from the new Lewis County facility). In some examples the ability to reduce detrimental environmental effects or comply with environmental regulations was also important for NYSDOT or involved local governments (e.g., proper handling of salt and fuel).

Leadership

Leadership is required to initiate concern over existing conditions, generate interest in beneficial change, engage others in service cooperation, contracting or consolidation, and pursue the opportunity through to a service delivery solution. In this case NYSDOT's regional maintenance engineer and the regional director appeared to have provided energy, vision and commitment to promote more cooperation with local highway departments.

Teamwork and Cooperation

The nature of the relationship between governing board members and relevant operating personnel within each involved unit of government is important when considering changes in service delivery. The earlier and more active the involvement of operating personnel in service delivery considerations the higher the potential for the identification of successful service delivery changes involving other governments. Clearly targeted implementable goals, an early focus on program implementation, a clear locus of responsibility for action within the organization (this usually means the designation of a key person or agency with authority and support) are important keys to successful service delivery change. Good working relationships between individuals from involved local governments will enhance the opportunity for cooperation.

In this case the regional maintenance engineer points to the importance of local NYSDOT resident engineers as a key party. They are best able to identify opportunities for cooperation and build local trust and communication. However, there also must be a supportive role played by administrators in the regional office if resident engineers are to feel confident of potential success in working at initiating new cooperative opportunities.

Legal and Institutional Barriers

Some observers believe that legal requirements and regulatory and institutional barriers exist which can hinder local government organizations from making changes needed to cooperate, contract or consolidate when mutual benefits exist which outweigh costs and other disincentives. A barrier is something that obstructs progress. In this case, the administrative and time costs required to obtain an approved state agreement where money changes hands led to the use of barter only agreements, wherever possible. If these kinds of agreements could be streamlined for NYSDOT in terms of processing time and administrative cost, NYSDOT regional and field staff would have more incentive to pursue cooperative opportunities. The experience in Region 7 would indicate that there are substantial additional opportunities for agreements to bartering goods and services with local governments. The lack of clear guidance for valuing bartered goods and services may also be a barrier to further cooperative activity.

Implications for Other Governments

The cooperative activity identified in NYSDOT Region 7 has implications for other regional offices. While at least several other regional offices identified unique and useful cooperative activity in a survey of Regional Maintenance Engineers, staff in Region 7 appear to have used “barter” exchange agreements to take advantage of a number of cooperative activities that other NYSDOT staff would find useful for consideration.

Implications for Legislative and Regulatory Change

This case identified several opportunities for legislative and regulatory change or improvement. First, it would be useful to identify ways to clarify and support the use of barter type agreements between NYSDOT and local governments. Second, it would be beneficial to explore ways to

streamline the normal contracting process between local governments and NYSDOT. This would open up a new range of opportunities for beneficially sharing resources and working together if this process could be streamlined in terms of administrative cost and shortened time frames from contract initiation to final approval. Third, drawing from the experience of Region 7, it appears that other NYSDOT regions may benefit from adopting a proactive administrative posture which encourages and supports resident engineers in initiating and working at beneficial cooperative opportunities.

Summary of Key Findings

1. **NYSDOT Opportunity to Cooperate with Local Governments.** The “barter” type contracting activity by NYSDOT Region 7, implies that there are extensive opportunities for beneficial cooperation between the state and its local governments. The extent of this opportunity would likely only be expanded by streamlining or reducing the time and administrative difficulty for NYSDOT staff to engage in agreements where a transfer of dollars is involved. Opportunities include sharing or trading: salt storage, fueling capacity, equipment use and storage, technical or skill based expertise, and materials.
2. **Local-Regional Teamwork.** To facilitate beneficial cooperation there is a need for both regional administrative support for cooperation and local resident engineers who are willing to build trust and develop effective communication with local government highway staff.

Case Study Documents

Below is a list of all legal, budget and organizational documents collected for the case study. Documents marked with an asterisk in the list below are appended to this report.

*Service Agreement Between the New York State Department of Transportation and the City of Watertown, Spring 1995.

Persons Interviewed

Eldon Frechette, Regional Maintenance Engineer , New York State Department of Transportation, Region 7 (including: Jefferson, Lewis, St. Lawrence, Franklin, and Clinton Counties).

Other Project Reports

Overview of the Case Study Project

This report is part of a larger research project funded by the New York State Department of Transportation (NYSDOT). The Department sought proposals on the “Cost-Effectiveness of Consolidating Government Highway Services.” The issue of jurisdictional realignment, combining units of government, was not to be the focus of the study. NYSDOT was interested in identifying both service functions that are appropriate for consolidation and methods of achieving this consolidation. The Department wanted to identify the institutional and political barriers that adversely affect decisions based on economic factors and to suggest methods for dealing with such barriers (including recommendations for change in state laws and regulations).

To achieve these goals a case study design was proposed by the investigator and selected by NYSDOT. A Project Advisory Group (PAG) was recruited to give advice on the selection of case studies. PAG members included a town highway superintendent, a county highway superintendent, a NYSDOT regional maintenance engineer, a staff member from a metropolitan planning organization, staff from the Cornell Local Roads Program, and a staff member from the New York State Legislative Commission on Rural Resources.

A mail survey with telephone follow-up was conducted in the fall of 1995 to identify cases of intergovernmental cooperation in the provision and production of highway services. A list of ten examples were selected for possible case study analysis and refined through consultation with the Project Advisory Group and the NYSDOT Consultant Manager. Six case studies were conducted and the final reports are included in the list of reports below.

A review of current reports and findings on existing statutory and regulatory barriers to service delivery cooperation was also conducted as a part of this project. The results of this review were combined with relevant findings from the case studies in a report on barriers and recommendations for change. See the summary report or executive summary listed below for a review of the projects overall findings and recommendations.

List of Project Reports

Case Study Report: Suggested Cases of Highway Cooperation and Consolidation for Further Study. Michael Hattery and David Kay. Local Government Program, Department of Agricultural, Resource, and Managerial Economics, College of Agriculture and Life Sciences, Cornell University. November 9, 1995.

Appendix to Case Study Report: Data Base of Cases Identified through the Interview Process. Michael Hattery and David Kay. Local Government Program, Department of Agricultural, Resource, and Managerial Economics, College of Agriculture and Life Sciences, Cornell University. November 9, 1995.

Case Design Report: Research Design for Cases of Highway Cooperation and Consolidation. Michael Hattery. Local Government Program, Department of Agricultural,

Resource, and Managerial Economics, College of Agriculture and Life Sciences, Cornell University. May 15, 1996.

Contract for Street Maintenance and Repair between the Town and Village of Bergen, Genesee County. Cooperative Highway Services Case Study Report Number 1. Michael Hattery. Local Government Program, Department of Agricultural, Resource, and Managerial Economics, College of Agriculture and Life Sciences, Cornell University. December, 1996.

Chautauqua County Bridge Program. Cooperative Highway Services Case Study Report Number 2. Michael Hattery. Local Government Program, Department of Agricultural, Resource, and Managerial Economics, College of Agriculture and Life Sciences, Cornell University. December, 1996.

Cayuga County Vehicle Maintenance Pool Service to the City of Auburn. Cooperative Highway Services Case Study Report Number 3. Michael Hattery. Local Government Program, Department of Agricultural, Resource, and Managerial Economics, College of Agriculture and Life Sciences, Cornell University. December, 1996.

Town of Esperance Contract with Schoharie County. Cooperative Highway Services Case Study Report Number 4. Michael Hattery. Local Government Program, Department of Agricultural, Resource, and Managerial Economics, College of Agriculture and Life Sciences, Cornell University. December, 1996.

Jefferson County Contracts With Towns for Major Improvements. Cooperative Highway Services Case Study Report Number 5. Michael Hattery. Local Government Program, Department of Agricultural, Resource, and Managerial Economics, College of Agriculture and Life Sciences, Cornell University. December, 1996.

Fostering Exchange with Local Governments: New York State Department of Transportation Region 7 Office of the Regional Maintenance Engineer. Cooperative Highway Services Case Study Report Number 6. Michael Hattery. Local Government Program, Department of Agricultural, Resource, and Managerial Economics, College of Agriculture and Life Sciences, Cornell University. December, 1996.

Recommendations for Legislative and Regulatory Change to Promote Highway Service Cooperation and Consolidation. Duane Wilcox, Michael Hattery, and Kevin Crawford. Local Government Program, Department of Agricultural, Resource, and Managerial Economics, College of Agriculture and Life Sciences, Cornell University. December, 1996.

Summary Report of Case Study Findings and Recommendations for Legislative and Regulatory Change. Michael Hattery. Local Government Program, Department of Agricultural, Resource, and Managerial Economics, College of Agriculture and Life Sciences, Cornell University. December, 1996.

Appendix