

Successful Strategies to Improve the Efficiency and Competitiveness of  
Local Government Entities in New York State

Testimony of the New York State Conference of Mayors

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and  
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Efficiency and Competitiveness

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Good morning and thank you for affording the New York State Conference of Mayors the opportunity to testify at this very important hearing. I am Ernest Strada, Mayor of the Village of Westbury and President of NYCOM, and I am joined by Mayor John McDonald from the City of Cohoes, NYCOM's First Vice President, and Peter Baynes, Executive Director of NYCOM.

Let me begin by saying that we were very encouraged when the Governor announced the creation of the Commission on Local Government Efficiency and Competitiveness and by his commitment to focus on the many challenges that local governments in New York face. We strongly believe that this entity should look beyond the mere numbers and type of jurisdictions that exist and consider the *real* barriers to achieving local government efficiency.

### **Shared Services**

As the level of government closest to the people and therefore most accountable to the people, local government officials are continually striving to do more with less, including entering into cooperative ventures with neighboring municipalities. This only stands to reason, for we are the ones that are criticized when quality services are not provided and when property tax rates continue to rise. Local officials have not only a vested interest but a fundamental responsibility to ensure our residents receive the essential municipal services in the most cost-effective manner.

You can rest assured that most local governments are well aware of the many benefits of sharing services. A report issued by the Comptroller's Office in 2003 noted that there were 3,332 cooperative agreements between local government entities in 2001, and when you consider that reflects what was happening six years ago and includes only agreements that were reported, one can only assume that the number is now much higher. The response to the State's shared services program (the SMSI program) is even more telling as we understand from the Department of State that, in the two years since the program was created, the amount of grant money available has paled in comparison to the amount of money that the grant applications reflect. Clearly

local government officials appreciate and are taking advantage of the many benefits that intermunicipal cooperation can yield. We would suggest, however, that perhaps this Commission, in conjunction with the Department of State, could help facilitate these types of agreements by identifying natural pockets of similar communities as well as those services that best lend themselves to cooperative agreements.

### **State Mandates Inhibit Efficiency**

Despite our tireless efforts to do more with less, local officials are continually faced with obstacles to achieving this goal – obstacles that we affectionately refer to as state mandates. For years, NYCOM has strongly opposed the numerous requirements that the state imposes on local governments, many of which are outdated and of no benefit to the public good. We have consistently pointed to the Wicks Law, for example, as one of the most onerous mandates facing local governments. This multiple bidding requirement on public work projects exceeding \$50,000 has the effect of increasing costs, delaying projects and in some cases, preventing projects from going forward at all.

Another one of the more costly mandates is binding arbitration, which is derived from New York State's Taylor Law. While this statute provides many important privileges for public sector employees, including the right to organize and to negotiate the terms and conditions of their employment, it has the effect of increasing employer costs by placing key decisions concerning the salary and benefits of local public safety employees outside the control of local officials and local taxpayers. This required final step in the collective bargaining process for police and firefighters often results in settlements at higher levels than municipal governments can afford.

The Taylor Law also becomes problematic in terms of sharing services due to the fact that the overwhelming numbers of public employees have unionized. In a decision issued nearly 25 years ago, the Public Employment Relations Board held that, if public employees have exclusively performed bargaining unit work, any unilateral transfer of such work is illegal under the Taylor Law. As a result, any attempt to transfer to others

the work that has been exclusively performed by unionized employees is a mandatory subject of negotiation. Since the consolidation of services at the local government level often times requires the transfer of job responsibilities from unionized employees, this Taylor Law provision is a fatal obstacle to many cooperative ventures.

These and other state mandates are, in our minds, the number one barrier to reducing the local property tax burden. Real efficiencies cannot be achieved at the local level without the ability to reasonably control expenses – particularly personnel and construction expenses – two of the biggest cost drivers for municipal governments.

### **Other Statutory Impediments**

In addition to the statutory requirements that foster inefficiency, there are other statutory obstacles that preclude villages and cities from maximizing available resources. While individuals and businesses located just outside the perimeter of cities and villages are able to take advantage of the services provided by these municipalities, city and village governments have little opportunity to share in the economic growth that they help foster outside their borders. This inequity exists because annexation beyond local boundaries is extremely difficult to accomplish in New York. We believe that it is time for New York to review its annexation statutes to ensure that this mechanism is realistically available, particularly to a municipality that is providing services to properties in another municipality that the other municipality is unable or unwilling to provide.

Annexation requires the consent of the people, if any, in the territory to be annexed and the consent of the governing boards of each local government in the area that is affected, upon its determination that the annexation is in the overall public interest. When consent of the governing board is not granted, the law provides for the resolution of the annexation by the county Supreme Court as to whether or not the annexation is in the overall public interest.

Currently only the residents or property owners can initiate the annexation process. The governing bodies of municipalities do not have the same ability to begin this process even though they are often in the best position to determine whether annexation is in the best interests of the communities. There is currently a bill in the legislature (A.3940/S.3231) sponsored by Assemblyman Koon and Senator Winner that addresses this issue by extending the ability to initiate annexation to the interested municipal bodies. We support this bill and similar amendments that will help make the annexation process easier and more effective.

Another example of where a New York State statute is an impediment to efficiency is with respect to Tax Increment Financing or TIF. TIF is a municipal economic development tool intended to stimulate private investment and development. Essentially, a municipality undertakes public infrastructure improvements to promote the development, and the underlying debt service is paid for by the incremental tax revenues generated by the development. Although New York's Tax Increment Financing (TIF) program has been in effect for over two decades, it has seldom been used, despite the fact that many other states are using TIF to provide gap financing for many economic and community development projects that would otherwise be economically unfeasible.

The resistance to using TIF in New York is largely due to the fact that current law prohibits the use of school property tax revenues to pay the debt service on TIF bonds. Since school district property taxes comprise 61 percent of all property taxes in the state, the absence of this revenue source significantly decreases the amount of debt that can be leveraged. This exclusion has proven to be a major obstacle to the utilization of this financing mechanism, and likewise, the promotion of regional economic development. We strongly believe the state should amend the TIF statute to allow the school portion of real property taxes to be used to pay for tax increment finance bonds, if the school district agrees to such a cooperative arrangement. Consequently, NYCOM supports the bill that is before the Legislature (A. 2358/S. 371, sponsored by Assemblyman Schimminger and Senator Young) that would permit this to occur.

## **Conclusion**

And finally, let me conclude with some brief remarks on the consolidation and elimination of local government entities, particularly as it pertains to villages. No one can dispute the fact that New York has a significant number of local taxing jurisdictions. However, if one of the goals of the Commission is to reduce local expenditures and, in turn, the local tax burden, is village government really the place to start? After all, in 2004, village property taxes only accounted for 2.6% of all property taxes in NYS. When the bank robber, Willie Sutton, was asked why he robbed banks, he responded, "Because that's where the money is". Village government is clearly not where the money is. Any efficiencies realized by merging villages would be minimal compared to what could be saved by consolidating schools districts.

In addition, what sets villages apart from every other form of municipal government in New York, is that they are created by citizen initiative without any discretionary interference or approval from other governing bodies at the state or local levels. While state law specifies certain procedures that must be followed, there is no authority for anyone but local residents to decide the question of whether to incorporate. That said, the people who want to live in the village vote to create the village. And the same is true for village dissolution – if the village residents decide they want to dissolve, they have the power to collect signatures on a petition and cause a referendum to be held on the village dissolution.

The bottom line is, village government serves an important purpose by providing an enhanced level of government service to concentrated populations who, without such village, would not receive the necessary level of government services. Furthermore, many towns do not provide the public safety services needed by population centers. Virtually all villages provide water, sewer and fire protection services and approximately one-half provide police protection.

Currently, 556 communities in this state have created and retained the village form of government, serving 1,833,314 residents. Over the past 25 years, several villages have dissolved and new villages have incorporated, but the total number of villages has remained essentially the same. The existence of a village is a matter of choice and should remain a matter of choice. The state should work to provide the tools and resources necessary to exercise that choice efficiently.

As I said at the beginning of my testimony, we are encouraged by the Governor's decision to establish this Commission and we support your efforts to assist local governments with making better use of their limited resources. As the government closest to the people and the front-line providers of services to our residents, I can assure you -- no one wants to be more efficient than we do and I would argue most local leaders work hard at doing that everyday. We just ask that as you continue your work, you focus on the *right* issues and we think the bulk of those issues reside with the State in the form of mandates and other statutory impediments that preclude local officials from being both resourceful and competitive.

Again, I thank you for the opportunity to testify at this important hearing. I would be happy to respond to any questions from the Commission.