



Village of Herkimer Comprehensive Review Report

**Financial Restructuring Board
for Local Governments**

June 13, 2018

Table of Contents

Table of Contents	2
Overview	3
Background	3
Fiscal Eligibility and Stress	3
Demographic and Socioeconomic Profile.....	4
Organization and Finances	5
Organizational Profile	5
Budget Profile.....	7
Findings and Recommendations	10
Shared Services	10
Efficiencies	21
Village Dissolution	25
Economic Development	29
Fiscal Performance and Accountability	31
Conclusion and Next Steps	32
Appendix A – Letter and Resolution from the Village of Herkimer	33
Appendix B – Resolution Approving the Village of Herkimer	35
Appendix C – Summary of Government Reorganization Process	38

Overview

The Village of Herkimer is located in Herkimer County in the Mohawk Valley. With a population of 7,743 as of the 2010 Census, it is the 59th most populous village in New York State and the 2nd most populous village in Herkimer County. 2016 expenditures of \$9.7 million were the 83rd highest of villages in the State and the 2nd highest of villages in the County.

The Village Board of Trustees adopted, and the Mayor concurred with, a resolution requesting a Comprehensive Review by the Financial Restructuring Board (see Appendix A). On June 20, 2017, the Financial Restructuring Board approved this request for a Comprehensive Review with Resolution No. 2017-11 (see Appendix B).

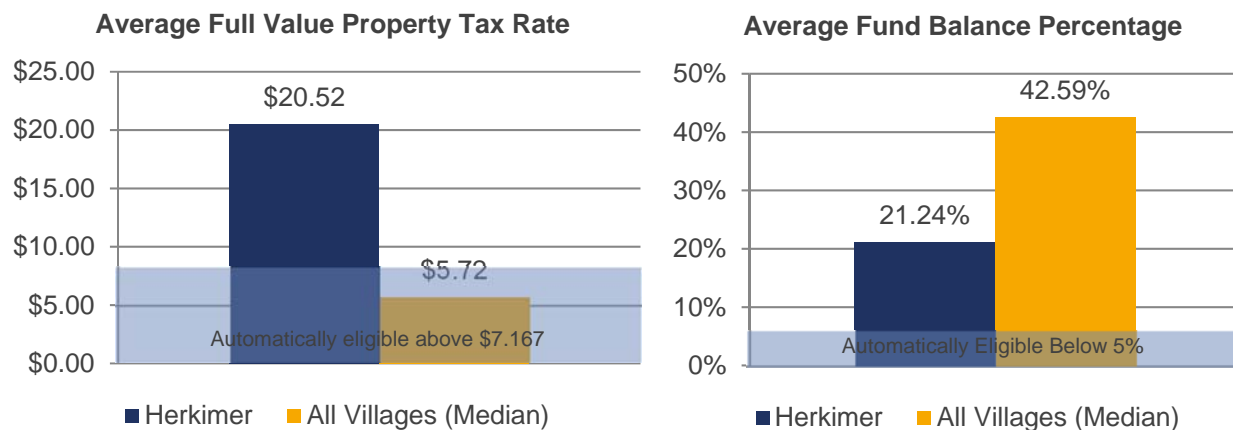
This Comprehensive Review first gives some background on the Village's fiscal eligibility and demographic profile. It then provides information on the organization and finances of the Village. Finally, it presents the Comprehensive Review's findings and recommendations.

Background

Fiscal Eligibility and Stress

The Village of Herkimer was automatically considered a Fiscally Eligible Municipality because its Average Full Value Property Tax Rate (2011-2015) of \$20.52 per \$1,000 is above \$7.17 per \$1,000 – the 75th percentile for all municipalities. This was the highest for villages in New York State.

The Village's Average Fund Balance Percentage (2011-2015) of 5.4 percent is the 500th lowest for villages but is still above the five percent threshold.



The Office of the State Comptroller's (OSC) Fiscal Stress Monitoring System gives the Village of Herkimer a Fiscal Rating of "No Designation" with a score of 0.0 percent for 2017 (a local government would receive a designation with a score of 45.0 percent or higher). OSC projects that the Village's score will remain at 0.0 percent in 2018, staying at "No Designation."

It should be noted that the Village's fiscal stress designation might be more volatile than depicted by the OSC fiscal monitoring system. To its credit, the Village has avoided balancing its budget with available fund balance, which has allowed it to sustain healthy reserves and remain at "No Designation." However, as noted by OSC, total fund balance and available fund balance as a percentage of total expenditures are the two most heavily weighted criteria in the Fiscal Stress Monitoring System, which account for 50 of the 100 total points available.

The Village Clerk-Treasurer has noted that the Village will inevitably use fund balance within one to two years, because savings from internal efficiencies are not at parity with the increasing costs of labor and operations. Therefore, it is possible the Village will enter a fiscal stress category within one to two years if it appropriates fund balance to pay for various retirements or unforeseen events. While, receiving all 50 points related to fund balance and holding all other indicators at zero would only push the Village into the "Susceptible Fiscal Stress" category. It is reasonable to assume that depleting fund balance would coincide with increases to the other auxiliary indicators, pushing the Village beyond a mild fiscal stress designation.

OSC's Fiscal Stress Monitoring System gives the Village of Herkimer an Environmental Rating of "No Designation" with a score of 23.3 percent (a local government would receive a designation with a score of 30.0 percent or higher) for 2017. Negative environmental factors contributing to this score include a moderate decrease in population over the past six years, a high percentage of households in poverty of 26.2 percent, and an unemployment rate of 9.3 percent.

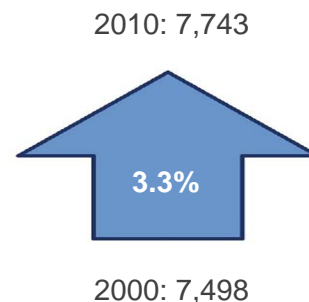
Demographic and Socioeconomic Profile

The Village's population grew 3.3 percent from 2000 to 2010, to 7,743. This growth is slightly more than the 0.8 percent population loss experienced by the typical village over that same period.

The Village of Herkimer's median household income in 2016 was \$42,615, which is less than the typical village's median household income of \$52,750.

The Village's median home value of \$86,200 is less than the typical village's value of \$132,650. Its property value per capita in 2016 was \$30,027 and its four-year average change in property value was -0.5 percent. The Village's child poverty rate is 25.9 percent, and the unemployment rate of the surrounding county is 6.3 percent.

Population Change



Organization and Finances

Organizational Profile

The Village of Herkimer is governed by a Mayor and four Village Trustees. The Mayor is elected to a four-year term, which expires at the end of 2018. The Trustees are also elected to four-year terms, with one expiring at the end of 2018, and two expiring at the end of 2019, and one expiring at the end of 2020.

Per the organizational chart provided by the Village, the four major departments are: Police, Fire, General Services, and Water and Sewer.

At present, the Village has 60 full-time equivalents (FTEs). The Police Department has the most FTEs with 19, while the second and third largest departments (Fire and General Services) have 17 and 11 FTEs respectively. Water and Sewer is fourth, with 13 FTEs.

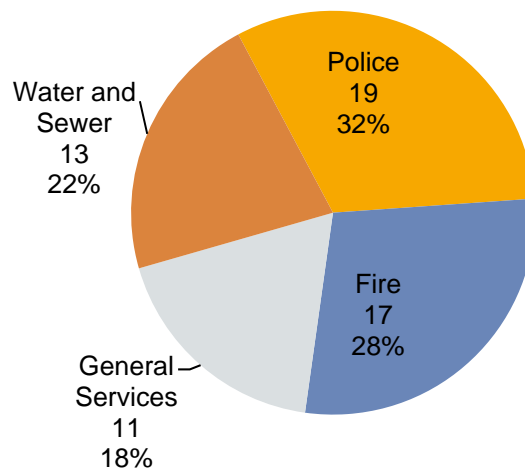
Many Village employees are covered by collective bargaining agreements. The Police Benevolent Association represents 19 employees in the Police Department. Employees hired under the current agreement contribute 20 percent toward their health insurance premiums for the first eight years of service and 15 percent thereafter. Currently, five employees pay 20 percent towards health insurance, five pay 15 percent towards health insurance, and nine opt out of their insurance with the Village and receive a payment 50 percent of the premium.

For the Fire Department, three employees do not contribute towards health insurance premiums, three contribute 20 percent, three contribute 15 percent, and eight opt out of their insurance and receive a payment at 50 percent of the premium.

The Civil Service Employees Association (CSEA) represents a total of 20 employees, 11 of which are in the General Services Unit and nine in the Water and Sewer Department. New employees hired under the current agreement contribute 20 percent toward health insurance premiums and 15 percent after eight years of service. For the Water and Sewer Department, two employees do not contribute towards health insurance premiums, three contribute 20 percent, two contribute 15 percent, and four opt out of their insurance to the Village and receive a payment of 50 percent of the premium.

While providing employees the option of opting out of insurance for a payment of 50 percent of the premium allows the Village to avoid thousands of dollars in healthcare costs per year, 50 percent is quite sizeable/extreme. The Village should evaluate this practice when it negotiates contracts with its unions, along with other items discussed in the Workforce section of this Comprehensive Review.

**Village of Herkimer
Full-Time Employees**



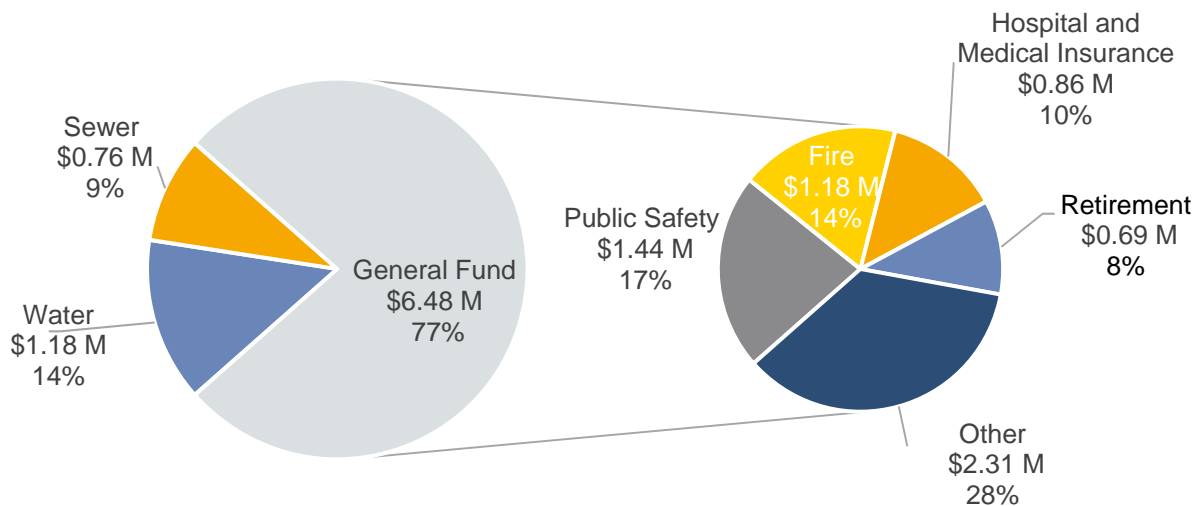
Village of Herkimer Labor Contracts									
Union	Contract Status	Contract Expiration	% Salary Increases						
			2011	2012	2013	2014	2015	2016	2017
Civil Service Employee Association (CSEA)	Current	5/31/2018	0	0	2.0	2.0	2.0	2.0	2.25
Fire	Current	5/31/2018	2.0	0	0	2.0	2.0	2.0	2.0
Police	Current	5/31/2018	3.0	0	2.0	2.25	2.25	2.25	0

Budget Profile

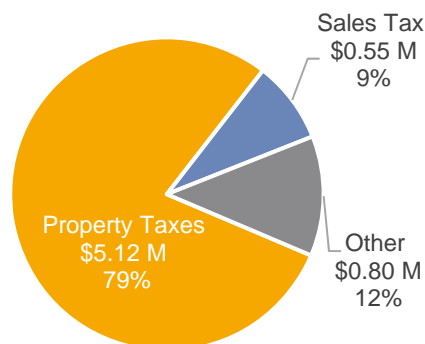
The Village's fiscal year 2018 adopted All Funds budget appropriations total \$8.4 million, which represents a 2.2 percent increase from the 2017 adopted budget. The largest appropriation categories are for public safety, fire, hospital and medical insurance, and retirement. Public safety expenditures are the largest, accounting for almost a quarter of appropriated expenditures. Public safety (22.0 percent of all funds), fire (18.0 percent of all funds), and hospital and medical insurance (13.0 percent of all funds) account for approximately 70.3 percent of the General Fund.

Expenditures are primarily driven by the labor contract provisions between the Village and its collective bargaining units. Per the Village, it now has an opportunity to renegotiate contracts. It hopes to negotiate the elimination of the minimum staffing clause in its Police and Fire Departments, increase employee contributions to health insurance, and negotiate new staffing schedules that lead to less overtime.

2018 Village of Herkimer Expenditures



Village of Herkimer Revenues (General Fund)



Approximately 88 percent of Village revenues are from property taxes. The adopted budget's levy of \$5.1 million was an increase of 0.1 percent over the prior year, and was within the Village's property tax cap.

Ongoing Budget Pressures

General Fiscal Trends (2013-2017)					
Category	2013	2014	2015	2016	2017
Total General Fund Budget	\$6.32 M	\$6.42 M	\$6.51 M	\$6.49 M	\$6.42 M
Property Tax Levy	\$4.92 M	\$5.05 M	\$5.23 M	\$5.21 M	\$5.12 M
Full Value Tax Rate (\$ per 1000)	\$20.23	\$21.52	\$22.39	\$22.39	\$23.55
Constitutional Tax Limit Exhausted (%)	98.63	N/A	98.55	99.06	99.41
Assessed Valuation	\$228.65 M	\$220.61 M	\$219.69 M	\$218.55 M	\$218.55 M
Total FTEs	88	86	82	84	83
General Fund Balance (Total/Available)	\$612,151	\$587,356	\$926,779	\$1,286,853	N/A

The Village has historically come close to fully exhausting its Constitutional tax limit and is expected to continue the trend unless it starts to seriously change the structure of how it provides services. According to 2016 OSC data, of approximately 530 villages in the State, the Village of Herkimer has the second highest full-value property tax rate.

Although the Village is near full Constitutional tax limit exhaustion, it has managed to balance its budget by implementing internal efficiencies and proposals that will allow the Village to remain solvent within its current fiscal year. Of a multitude of measures, the two main actions the Village has used to stay solvent are a) eliminating departmental positions through attrition, and b) restructuring its healthcare plans and contributions to lower healthcare costs.

The Village has most notably eliminated positions in its public works department, which has received most of the staffing cuts to help balance the budget. This has resulted in an understaffed DPW, and the Village Clerk-Treasurer has stressed the need for additional staff to help the department maintain operational effectiveness. In response to the understaffed DPW, the FY 2019 Village budget will likely include appropriations to help the Village staff its DPW appropriately.

Within the past few years, the Village also switched from a high premium-low deductible plan to a low premium-high deductible plan, which has resulted in thousands of dollars in health insurance savings due to lower healthcare utilization rates among Village employees. In the past, the Village paid a high flat rate for healthcare, regardless of how much healthcare an individual needed. Now, the Village is saving money by paying based on utilization (paying employee deductibles) because Village employees do not use enough healthcare to justify a high premium plan. These savings are expected to increase as more Village retirees turn 65 and transition to Medicare. In the past, the Village allowed retirees below the age of 65 to purchase insurance with unused sick leave, which also contributed to the higher cost of healthcare. The Village no longer offers this option, so healthcare costs for retirees will be zero in the future.

The Village understands that the actions mentioned above have only allowed it to maintain the status quo. If the Village wants to achieve long-term stability, it must start exploring other options that generate substantial savings. Fire, police, highway, and sewer are potential areas that the Village should seek to consolidate with its neighboring municipalities, such as the Village of Mohawk, the Village of Ilion, and/or the Village of Frankfort. This should be in addition to working with the Town of Herkimer to abolish the office of Village Justice, as well as creating efficiencies that could be realized in the Village itself. The shared services section of this report discusses opportunities to share services in the areas mentioned above.

The Village's FY 19 Budget included modest changes from FY 2018. Total General Fund appropriations increased by a modest .06 percent, from \$6,478,640 to \$6,482,264 and the tax levy increased by 0.03 percent, which is within the Village's property tax cap. The all funds budget totals \$8.4 million.

Addressing the Village's fiscal challenges is not an endeavor that will create results overnight. It will require effort from Village, Town, and County leadership to foster a collaborative environment. Although the Village of Herkimer is maintaining its finances with internal efficiencies, it must begin considering and leading the effort towards cooperating with its adjacent villages and the Town of Herkimer.

Findings and Recommendations

After thorough review of the Village’s operations, the Board identifies findings and recommendations in the following areas: shared services, efficiencies, workforce, dissolution, economic development, and fiscal performance and accountability.

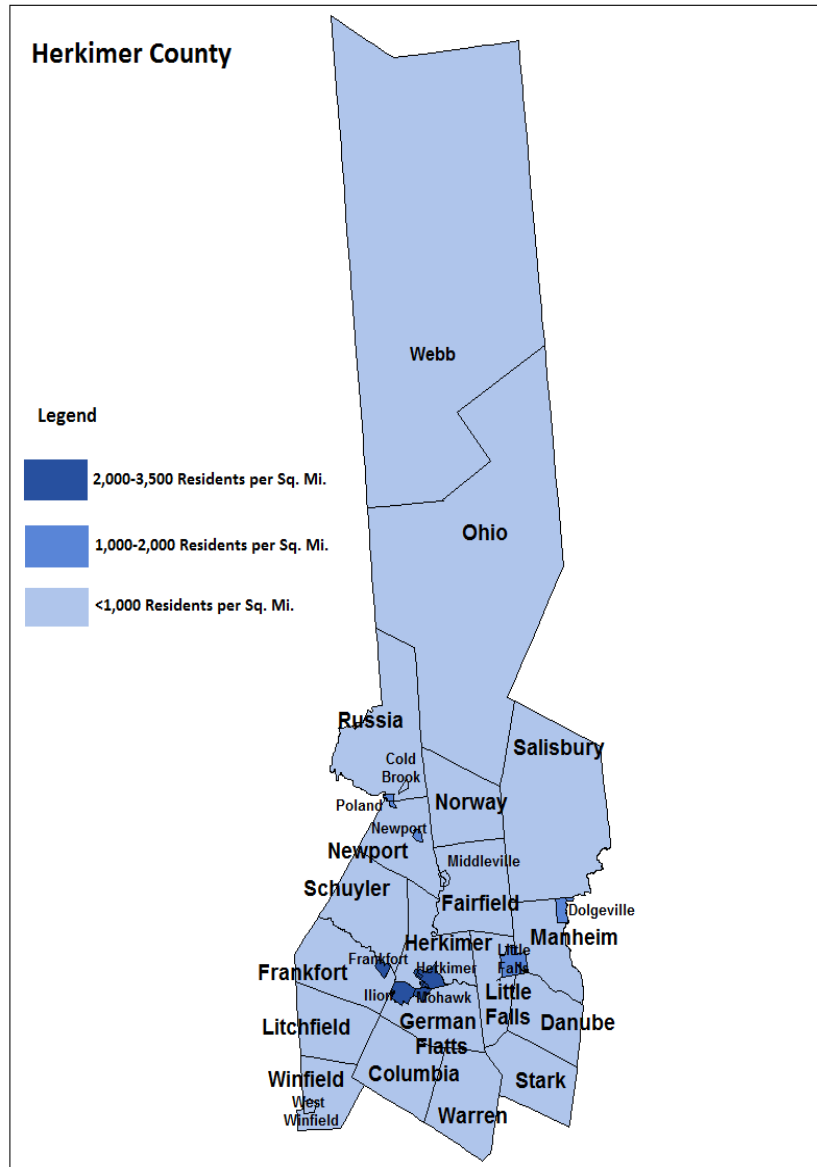
Shared Services

Regional Government Context

As of the 2010 Census, Herkimer County had a population of 64,519 and was the 34th most populous county of the 57 counties outside of New York City. With a land area of 1,411 square miles, it is the 6th largest county. With a population density of 46 residents per square mile, it is the 55th most densely populated county.

The County is governed by a 17-member County Legislature. Other elected officials include a Sheriff, Treasurer, District Attorney, and County Clerk. As of 2016, the County had total expenditures of \$94.3 million, which is ranked 47th for counties, and total expenditures per capita of \$1,462, which is ranked 55th for counties.

Within the County, there is one city, 19 towns, 10 villages, 10 school districts, six fire districts, and more than 70 town special districts and other entities.



The Village of Herkimer is completely within the Town of Herkimer, which is located in the southern part of the County.

Survey of Shared Services

The Board worked with the Village and its neighboring municipalities to conduct a survey on the services they provide to discover opportunities for further shared services. The Village and its surrounding governments were asked to briefly describe current shared service arrangements in each service/function area and to identify any obstacles or opportunities for additional shared services.

Below is the summary of the results identifying which services are provided by each municipal entity.

Index of Municipal Services Provided					
Service / Function	Herkimer County	Town of Herkimer	Village of Herkimer	Village of Ilion	Village of Mohawk
Police			X	X	X
Dispatch / E-911	X		X	X	
Fire			X	X	X
Ambulance / EMS				X	
Tax Collection/Treasurer	X	X	X	X	X
Tax Bill Printing	X				
Tax Foreclosure	X				
Assessing	X	X			
Personnel / HR / Civil Service	X	X		X	X
Payroll / Time & Attendance	X	X	X	X	X
Purchasing	X	X	X	X	X
Budget / Finance	X	X	X	X	X
Code Enforcement		X	X	X	X
Building / Zoning / Planning	X	X	X	X	X
Park Maintenance		X	X	X	X
Animal Control	X	X	X	X	
Plowing		X	X	X	X
Paving / Street Maintenance	X	X	X	X	X
Lighting / Traffic Controls		X	X	X	X
Sanitation / Garbage			X	X	
Water		X	X	X	X
Wastewater / Sewer	X	X		X	X

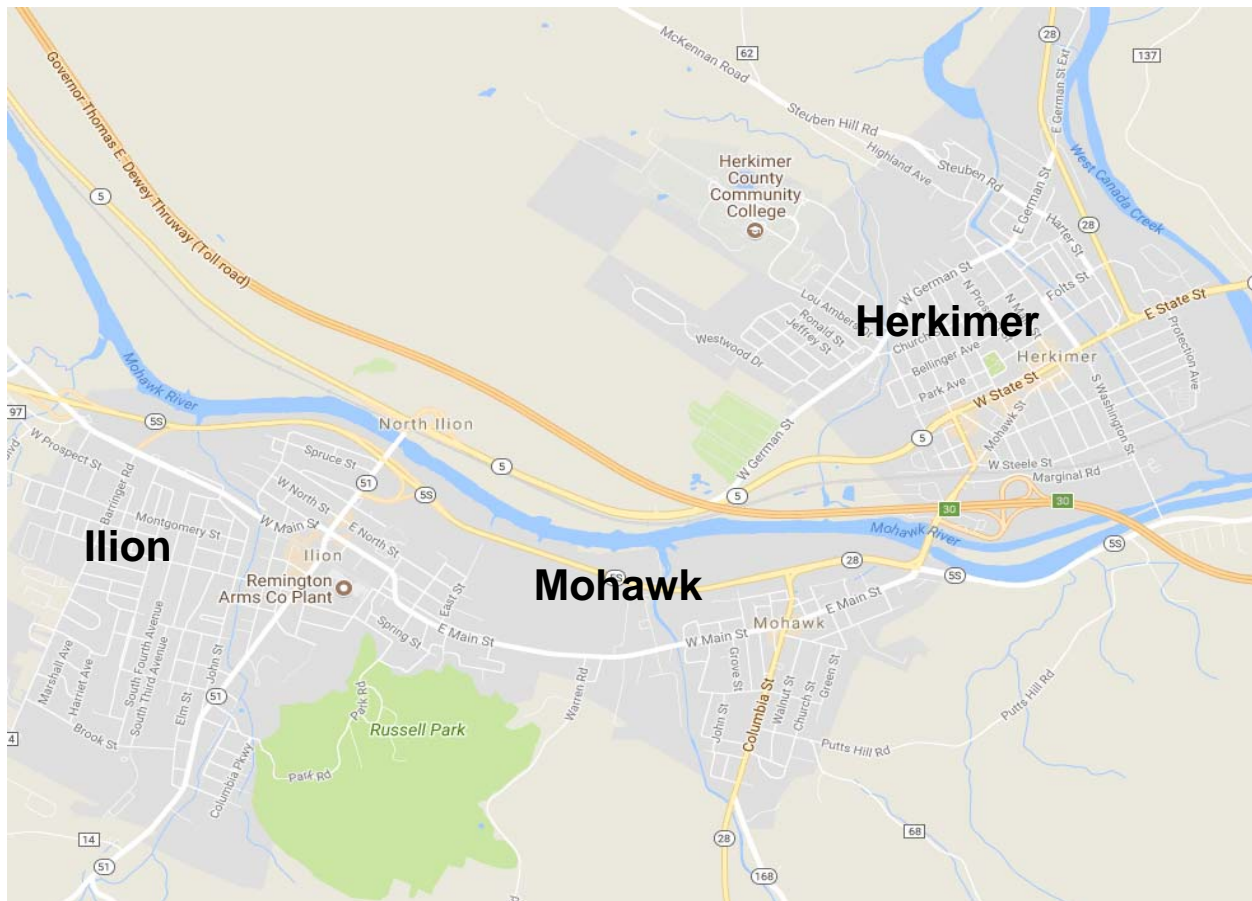
Shared Services Actions and Opportunities

A local government's primary responsibility is to deliver services for the benefit and well-being of its residents. With limited resources and rising costs, all local governments must continually look to partner with one another to find efficiencies and eliminate duplicative functions.

Although some actions have been taken, several additional opportunities for the Village and its neighboring municipalities to pursue shared services remain. As the previous chart displays, there is significant duplication of services among the Village of Herkimer and its neighboring municipalities. Some of the most promising opportunities for shared services follow.

Proximity: Contiguous Village Governments

The Village of Herkimer has a unique geographic opportunity to work closely with the surrounding Villages of Mohawk and Ilion in the Town of German Flatts to share services and cut costs. These three villages are contiguous and, on a map, could be mistaken for a single government. In fact, if consolidated into one entity, it would be the size of a small city, with a population of approximately 18,500 and a land area of 6.0 square miles.



	Village of Herkimer	Village of Ilion	Village of Mohawk	As a Single Entity
Population	7,743	8,053	2,731	18, 527
Area (sq. miles)	2.6	2.5	0.9	6.0
Residents per Square Mile	2,978	3,221	3,304	3,088

Among other services, the Villages of Herkimer, Mohawk, and Ilion each provide fire, public safety, highway, back-office administration, and other major services that could be provided by a single government. Most strikingly, the City of Amsterdam (45 miles to the east) has a population of just over 18,000 people in an area of about 5.9 square miles. The City staffs its own police, paid fire, highway, and other departments. However, the City's property tax levy is approximately \$5.2 million versus the combined property tax levy of almost \$10.8 million for the three separate Villages.

	Department Spending	Department Expenditures as % of:	
		Tax Levy	Total Expenditures
Police			
Herkimer	\$1,444,397	28.2%	22.3%
Ilion	\$1,452,732	31.5%	20.7%
Mohawk	\$337,109	31.0%	28.0%
Fire			
Herkimer	\$1,176,887	23.0%	18.2%
Ilion	\$1,096,440	23.7%	15.6%
Mohawk**	\$225,000	20.7%	7.9%
Highway			
Herkimer	\$797,531*	12.3%	15.6%
Ilion	\$678,923*	9.7%	14.7%
Mohawk	\$318,880	29.3%	11.2%

* Does not include fringe benefits

** Volunteer Fire Department

Police Departments

According to data provided by the three Villages, cumulative police spending for this three-village region is almost \$3.2 million. The Village of Herkimer spends approximately \$1.45 million, or 22.3 percent of total expenditures toward public safety for an area of approximately 2.6 square miles. Police spending also represents approximately 28.2 percent of the Village's property tax levy.

In addition, both the Village of Ilion and the Village of Mohawk operate paid and part-time police departments. The Village of Ilion spends approximately \$1.5 million, or 20.7 percent of its total expenditures on its Police Department. The police force consists of one chief, one captain, one investigator, ten patrol officers, four sergeants, and two dispatchers. The Village of Mohawk spends approximately \$330,000, about 28.0 percent of its total General Fund expenditures. The Department consists of one part-time police chief, five full-time officers, and about ten part-time officers.

Departmental Comparison				
	Department Spending	Department FTEs	Department Expenditures as % of:	
			Tax Levy	Total Expenditures
Police				
Herkimer	\$1,444,397	19	28.2%	22.3%
Ilion	\$1,452,732	19	31.5%	20.7%
Mohawk	\$337,109	5	31.0%	28.0%

Data from the Federal Bureau of Investigation Uniform Crime Reporting Statistics shows that the Village of Herkimer Police Department has more staff than other villages in the Mohawk Valley. Of the 52 villages in the region, roughly half of the villages do not have a paid police department, and of the half that do, the Village of Herkimer and the Village of Ilion both have almost triple the number of officers per square mile.

Village Police Staffing Comparison				
Village	Residents Per Square Mile	Full Value Tax Rate	Full-Time Equivalents	Officers Per Square Mile
Village of Herkimer	2,978	22.4	19	7.3
Village of Ilion	3,221	19.3	18	7.2
Village of Whitesboro	3,429	8.5	5	4.5
Village of Yorkville	3,841	8.6	3	4.3
Village of Frankfort	2,598	10.8	4	4
Village of Cobleskill	1,299	9.2	12	3.3
Village of New York Mills	2,773	6.4	4	3.3
Village of Canajoharie	1,715	10.7	4	3.1
Village of Fort Plain	1,659	10.5	4	2.9
Village of Cooperstown	1,158	5.6	4	2.5
Village of Mohawk	1,183	N/A	4	2.1
Village of Boonville	1,219	7.2	3	1.8
Village of Dolgeville	1,226	15.4	2	1.1
Village of St. Johnsville	1,924	14.3	1	1.1

Herkimer recently entered into an informal agreement with Herkimer County, whereby calls will roll over to the County dispatcher Monday through Thursday, from 7 PM to 7 AM each day, and Friday through Monday, beginning on Fridays at 7 PM and ending on Mondays at 7 AM. In most cases, this agreement would help a village reduce its bottom line because it may lead to decreases in staffing levels. However, the minimum staffing clause in the police contract requires the Village to retain the officers and have them on patrol instead.

The lack of a Town police force or County road patrol may also contribute to the size of Herkimer's Police Department. If the Village dissolved its Police Department, policing would generally be devolved to the Town and, if the Town does not have a police force, the function would be devolved to the County. In Herkimer's case, the Village would be forced to rely on State Police because neither the Town nor the County have a road patrol. This may be a significant deterrent for residents seeking to dissolve the Village's Police Department. As discussed in the workforce section of this Comprehensive Review, it is likely that various labor contracts provisions have allowed police ranks to grow and be unsustainable for the Village.

Therefore, the Village of Herkimer should work with the Villages of Ilion and Mohawk to create a joint police department. General Municipal Law 121-A allows two or more villages located in the same county to create a single joint police department. A proposition would need to be approved by the voters of each village in a general or special election. If a single department were created, the governing board of each village would need to vote by majority to appoint a police chief, create rules and regulations for the departments, and apportion the expenses of the department to each village.

Fire Departments

The Village of Herkimer utilizes a full-time paid Fire Department, along with eight mutual aid agreements, to provide fire protection services to an area of approximately three square miles, which includes the Village and an area of the Town outside of the Village. There is one fire house that contains all of the Village's equipment and personnel. The Department consists of approximately 20 staff in the following positions: one chief, two certified interior structural firefighters, and 17 regular firefighters. As displayed below, Fire Department spending is approximately \$1.2 million, which is approximately a quarter of the Village's property tax levy and about 18 percent of total Village expenditures. The Department does not provide emergency medical services (EMS).

The Village of Ilion utilizes a paid full-time/part-time Department to provide fire protection, EMS, transport, special rescue, and disaster assistance. The Department utilizes approximately 20 staff to provide fire protection services to an area of two square miles with a total departmental cost of \$1.1 million. There is one fire house that contains all the Village's equipment and personnel.

By contrast, the Village of Mohawk utilizes a strictly volunteer Fire Department to provide fire protection services to an area of approximately eight square miles, which includes the Village and part of the Town of Mohawk. Mohawk's Fire Department is the primary fire department in the Town of German Flatts and automatically responds to fire calls with the Town of East Herkimer. The Department's fire house is located in the same building as the Village Hall and other Village departments.

Mohawk's Fire Department is comprised of approximately 40 volunteers, of which 20 are classified by the Village Mayor as "truly active." Including insurance, the budget for the Fire Department is approximately \$225,000, which is significantly smaller than both Ilion and Herkimer's budgets. Furthermore, the Fire Department's budget is only about eight percent of Village expenditures. However, as displayed below, department spending is comparable to Ilion and Herkimer when displayed as a percentage of property tax levy. Although all of Mohawk's equipment is housed in the Village building, roughly half of it is owned and maintained by Mohawk while the other half is owned and maintained by the Town of German Flatts.

	Department Spending	Departmental Comparison		
		Firefighters	Department Expenditures as % of: Tax Levy	Total Expenditures
Fire				
Herkimer	\$1,176,887	17	22.7%	18.2%
Ilion	\$1,096,440	17	23.7%	15.6%
Mohawk*	\$225,000	20	20.7%	7.9%

*volunteer department

In 2013, an outside consulting group submitted a proposal to conduct a consolidation study for the five fire departments surrounding the Village of Herkimer and the Village itself. The report concluded that three potential fire delivery concepts should be considered, of which two were fire district concepts. As it pertains to the Villages of Herkimer, Ilion, and Mohawk, a single fire district could be created as prescribed under Section 170 of Town Law. The district would operate as a

single governmental entity, and would be governed by a board of fire commissioners. In exchange, the three Villages would need to abolish each of their fire departments to make the proposal efficient and beneficial to taxpayers.

Section 10-1020 of Village Law allows villages to abolish their fire departments by resolution, which is then subject to a permissive referendum. It could prove easier to jointly provide fire protection by intermunicipal agreement in the short-term to demonstrate cooperation is possible and sustainable, and then move towards creating a fire district.

Creating a single fire district is not the only option. Rather, the discussion above is to demonstrate that cooperation and consolidation is possible for these three villages. Savings aside, working together would improve service delivery and help the Villages collectively mitigate the staffing concerns a part-time or fully volunteer department may present, as is the case with the Village of Mohawk and as was suggested in the consulting report. Although Mohawk's volunteer roster is adequate for the time being, volunteer firefighter data from the New York State Office of Fire Prevention and Control suggests the number of volunteer firefighters is generally decreasing. Mohawk is already struggling to staff its volunteer department and relies on eight mutual aid agreements, of which two are with the Villages of Ilion and Herkimer, for additional support within its protective boundaries. Therefore, it could be argued that these villages are already sharing fire protection services to some extent, although the costs of the service are disproportionately distributed to the taxpayers of Herkimer and Ilion while the benefits are disproportionately distributed to the taxpayers of Mohawk.

Since the release of consulting report, neither Herkimer nor Ilion have pursued a joint effort towards consolidating fire services. Labor issues, personnel complications, political challenges, and mechanical changes are undeniably difficult hurdles. However, opportunities exist and the Villages should work to expand cooperation in this service area.

Highway Departments

Each Village also operates its own highway department. The Village of Herkimer spends approximately \$800,000 on highway services, which amounts to 12.3 percent of its property tax levy and 15.6 percent of total expenditures, excluding fringe benefits. The Village of Ilion spends nearly \$700,000 on highway services, which amounts to 9.7 percent of its property tax levy and 14.7 percent of total expenditures, excluding fringe benefits. Lastly, the Village of Mohawk spends almost \$320,000, which represents 29.3 percent of its property tax levy, excluding fringe benefits.

Departmental Comparison				
	Department Spending	Department FTEs	Department Expenditures as % of:	
			Tax Levy	Total Expenditures
Highway				
Herkimer	\$797,531*	11	12.3%	15.6%
Ilion	\$678,923*	12	9.7%	14.7%
Mohawk	\$318,880	4	29.3%	11.2%

*Does not include fringe benefits

It is worth noting that the County is interested in pursuing a single county-wide highway system in the interest of creating efficiencies and cutting costs. In April 2011, a consolidation study was undertaken to explore the possibility of creating a single Herkimer County-wide shared highway system, which the County would use as its framework moving forward.

This study proposed a model that would expand the current Intermunicipal Agreement between the County and the Towns for plowing in the winter to a model whereby the County would pay the Towns for basic highway services on a fee-for service basis throughout the year. As a result, the County could reduce its highway staff and limit its highway responsibility, save for some specialty equipment and services that make sense to keep centralized. The County would benefit because it would have less need to hire additional staff or maintain snow equipment, and the Towns would benefit because the service would be provided efficiently and the revenues from the year-round contracts could be used to offset overhead and other related costs.

The proposed system would be more focused on cooperation instead of consolidation and would rely on a "Master" Intermunicipal Agreement (IMA) to have the County contract with the Towns for road maintenance work and plowing. The County would be divided into eight separate zones whereby the Towns would work from a single facility in each zone to provide winter and summer services in a given zone. Although the study suggests the long-term goal would be to have one superintendent for each zone rather than a separate superintendent for each Town, it did not discuss the feasibility of doing so. As some superintendent positions are elected positions, it could prove difficult to eliminate them and reduce the total number of superintendents down to eight. As a result, the savings and efficiencies may be limited.

The grander plans of the County aside, the Villages of Mohawk, Herkimer, and Ilion could certainly work in the interim to streamline highway services in the three-village area. As a start, the Villages could begin with an intermunicipal agreement to share a single highway, public works, or fueling facility. A single facility could be a starting point and could save each Village capital and operational costs by diverging from the three-facility structure. Rather than maintaining, staffing,

and powering three separate facilities, the Villages could share the burden of a single facility. This is especially attractive since the superintendents overseeing highway and public works are not elected positions.

In contrast to the proposed County highway system, the three-village cooperative structure should be focused on consolidation of highway departments instead of coordination. Each Village would benefit, whether it be by a decrease in costs or the improvement of service delivery resulting from pooled resources. Although there may be some labor challenges from creating a single highway department, beginning to share some basic highway services could create momentum towards more comprehensive and inclusive shared services agreements, most if not all of which can be accomplished by intermunicipal agreements or memorandums of understanding. After highway, the three Villages could move to other more challenging areas such as police or fire.

Village Court

New York State Village Law, Section 3-301, authorizes a village to abolish the office of village justice by local law or resolution, subject to a permissive referendum. Upon the abolition of the office and the completion of the village justice's term, the town court would have jurisdiction over all justice court matters that arise in the village.

Were the Village to dissolve its court, all cases for the Village of Herkimer and the Town of Herkimer would be held in the same court facility. The Village and Town agree that the Village court facility could not accommodate the increased volume from the court dissolution. Therefore, the Town court facility would be the only option that does not involve the construction of a new facility.

The Village of Herkimer has considered abolishing the office of village justice in the past. However, parking concerns have derailed the initiative because the Town court facility does not have a parking lot. The Village could expect to save roughly \$35,000 annually by eliminating the office of village justice and savings would likely be greater if the cost of maintaining the facility and the cost of back-office staff were included. The Village would continue to collect the revenue from fines resulting from dog control violations and violations of local laws, as well as the local share of the mandatory surcharge collected from handicapped parking violations.

Recommendation: The Board recommends that the Village, in conjunction with its governmental neighbors, develop and implement a shared services plan that will lower the annual cost of providing specific services and address the inherent duplication of services via multi-governmental jurisdictions. If the Village agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to assist the Village and its neighboring governments with implementing such shared services plan. The specific structure and conditions of such grant, which would be developed in consultation with the Village, and any other aspects of such grant would be subject to an affirmative vote of a majority of the total members of the Board.

Local Government Efficiency Grant Program

If the Village of Herkimer would like to pursue additional shared services opportunities, the State offers competitive grants through the Local Government Efficiency Grant Program (LGEG) to local governments for planning or implementing a local government efficiency project, including sharing services, functional consolidation, and regional service delivery. The maximum grant for an implementation project is \$200,000 per municipality/\$1 million per grant. The maximum grant for a planning project is \$12,500 per municipality/\$100,000 per grant. Planning projects require a 50 percent local match, and implementation projects require a 10 percent local match. If a planning project is later implemented, the local match for implementation is offset by the amount of the local match for the planning project.

LGEG is administered by the Department of State. More information on grant requirements and how to apply is available at <https://www.dos.ny.gov/lg/lge/index.html>.

County-Wide Shared Services Property Tax Savings Panels

Through Part BBB of Chapter 59 of the Laws of 2017, the FY 2018 State Budget empowered citizens and local leaders to control the cost of local government through the creation of the County-Wide Shared Services Property Tax Savings Initiative. The initiative consists of two rounds, one beginning September 2017 and the other beginning in September of 2018, and requires each county to convene a shared services panel consisting of local government leaders within the county, the goal of which is to create property tax savings plans that benefit taxpayers.

Per the law, plans should include actions such as the elimination of duplicative services; shared services, such as joint purchasing, shared highway equipment, shared storage facilities, shared plowing services, and energy and insurance purchasing cooperatives; reduction in back office administrative overhead, and/or better coordination of services. The State will match the first year of savings from new shared services actions in approved plans.

The FY 2019 budget continues the County-wide Shared Services Initiative by authorizing the panels to continue to convene until 2020 and continues to match the first year of net savings from new shared services actions. Furthermore, the law was expanded to allow counties to invite fire districts and fire protection districts to participate in addition to their current authorization to invite school districts and BOCES to participate. The FY 2019 State Budget includes a \$225 million appropriation to match the first year of qualified net savings from new shared services actions within approved local plans from 2017-2021.

34 counties submitted shared services plans in 2017 projecting savings of over \$200 million in net savings from all of the actions identified by each county. All of the plans, including the latest guidance from the Department of State can be found on its website https://www.dos.ny.gov/lg/countywide_services.html.

As allowed by law, Herkimer County chose to defer submission of a plan until September of 2018. Based on the success of the 2017 plans, the Village should actively participate in the development of the Herkimer County plan, taking advantage of this opportunity to find and implement shared services actions with other local governments in the County.

Efficiencies

LED Lighting

The Village may have the opportunity to convert its 672 traditional street lights into Light Emitting Diodes (LED) lights. Per an estimate from National Grid, the expected cost of the conversion is \$108 per light per pole, or a total of approximately \$75,000. The current cost of streetlighting is approximately \$180,000 per year. According to the Village, if it converts all of its lights, it could save an estimated \$20,000 per year due to the increased efficiency of the LED lights.

Converting streetlights and indoor lights from existing metal halide or high-pressure sodium lighting technology to more modern LEDs would reduce energy draw and thus energy costs. LEDs have been shown to produce energy savings of 60 to 70 percent. On average, LEDs last longer, up to 100,000 hours or over 20 years, require less maintenance and attention compared to their older counterparts, and offer improved lighting quality. Therefore, conversion to LED lights would benefit the Village through reduced wattage draw as well as lowered average annual maintenance costs.

In October 2015, Governor Cuomo signed Chapter 495 of the Laws of 2015 (“the Streetlight Replacement and Savings Act”), which established the procedures for the transfer of street light systems ownership from a utility to a municipality. The procedure requires all utilities to establish a process to facilitate the transfer of ownership. The price of the transfer is negotiated between the municipality and the utility, and the municipality files an application with the Public Service Commission which includes an inventory of street lights including numbers, location, and lighting type and a statement including anticipated financial impacts and any plans to retrofit the fixtures with energy efficient lighting.

Additionally, in the 2018 State of the State Governor Cuomo announced a State-wide Smart Street Lighting Program to convert 500,000 streetlights to LED technology by 2025. The New York Power Authority (NYPA) will lead this interdisciplinary and interagency initiative with the New York State Energy Research and Development Authority, the Department of Public Service, the Department of Environmental Conservation, and the Department of State and other State agencies to offer a one-stop-shop solution for municipalities to replace inefficient streetlights with LEDs and provide technical expertise on design, procurement and construction, along with financing and guidance on Internet of Things devices that allow streetlights to function as part of a Smart City. NYPA will also explore modifications to existing street lighting utility tariffs to allow for greater cost savings from lighting conversions. This program has the potential to reduce energy consumption annually across the State by 482 gigawatt hours, the equivalent of 44,770 households, save taxpayers \$87 million annually, reduce greenhouse gas emissions and improve the quality of light and safety of communities across the State.

In 2017, the Village participated in NYSERDA's Clean Energy Communities program. As part of the program, the Village completed four out of ten "High Impact Actions" to receive \$50,000 in grant funding. The grant funding is expected to be available in 2018. Once available, the Village intends to apply the \$50,000 towards installing the new energy efficient LED streetlights. The remaining up-front costs would need to be covered by the Village.

Parking Meters

The Village of Herkimer collects approximately \$45,000 annually from on-street parking meter fees. The current rate for parking is 25 cents per hour and parking violations result in a \$5 ticket, double if the ticket is not paid on time. One part-time parking attendant collects the change from the meters and a Village maintenance worker does general servicing. The part-time parking attendant is paid about \$5,000 per year and the maintenance worker is full-time, although servicing the meters is not his only responsibility.

Within the Village, there are 176 meter housings that are old and have not been updated because the parts are no longer available. The Village has, however, begun to update the mechanisms inside the housings. The Village has purchased 110 mechanisms in the last two years but still needs to purchase an additional 200 to update all 310. It could begin to realize additional revenues from parking if it chooses to install additional meters on two streets that have recently been zoned for business purposes. Although it expects to increase revenue, the Village cannot estimate how much the additional meters can generate.

Instead of having meters accompany each parking spot on a street, the Village could opt to install fewer strategically placed kiosks where customers can pay for parking. “Smart” kiosks have traditionally been the substitute for older meters and typically benefit the consumer and the municipality because the technology allows people to pay via credit card and accepts other forms of payment instead of traditional change. However, the Village Clerk Treasurer indicated that the Village did not choose smart meters because of the substantial upfront costs. Because the traditional meters are adequate, the Village Clerk Treasurer does not believe the Village should purchase new kiosks at this time. However, the Village should ensure that the new mechanisms can fit into newer housings once the older housings become obsolete.

Costs associated with upgrading the mechanisms can only be justified if those costs lead to savings from new and improved meters. Upgrading mechanisms while neglecting the poor condition of the housings could prove to be a deadweight loss to the Village. If the new mechanisms are finally upgraded and the housings simultaneously fail, the Village will have spent thousands that otherwise could have been avoided by purchasing new mechanisms and housings that have a longer expected useful life.

Recommendation: The Board recommends that the Village continue to implement additional efficiency actions that will lower the annual cost of providing specific services. If the Village agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to assist the Village with implementing such efficiency actions. The specific structure and conditions of any such grants, which would be developed in consultation with the Village, and any other aspects of such grants would be subject to an affirmative vote of a majority of the total members of the Board.

Workforce

Per the Village, certain labor contract provisions for the Fire and Police Departments have resulted in unsustainable overtime costs, which amounted to thousands of dollars. Firefighters currently operate on a "one on-three off" schedule, under which each firefighter works two 24-hour shifts in an eight-day cycle and has the other six days off. As compensation for working a 48-hour work cycle, each firefighter receives five "Kelly days" as paid time off at the end of the year in addition to holiday time and benefit time.

The Department's minimum staffing clause also dictates that it may have no less than 16 firefighters on staff and that each shift is staffed with four people. Only one firefighter is allowed off per shift, but that time is replaced by a firefighter who gets called in for a 24-hour overtime shift paid at time and a half.

This has created scenarios where any given firefighter might work one regular day, call in sick, and then pick up a full overtime day, and be compensated with 24 hours of overtime at time and a half, and 48 hours of regular time, regardless of the fact that such individual physically worked a regular 48 week. The same is true for a firefighter who works two regular days and one sick day in a given cycle. In that scenario, a person may receive 48 hours of regular pay and then 24 hours of pay at time and a half.

The Village expects three firefighters to retire in 2018 (Village FY 2019), the first in June, the second in August, and the third in December. The cost of these retirements will be approximately \$35,000 per retiree, per the current contract. These costs include buyouts; accrued sick, vacation, and longevity payments; and annual retirement benefits. In addition, the Village will need to fill these positions because of the existing minimum staffing clause in the Fire Department's contract. If the minimum staffing clause did not exist, the Village could save approximately \$300,000 by eliminating or keeping the positions vacant.

All the Village contracts expired in May 2018, presenting an opportunity to negotiate the contracts to potentially remove minimum staffing clauses and attempt to change the shift schedule. One option that could likely save the Village money is to change scheduling by creating 14 and 10-hour schedules to reduce overtime. Under the current system, it is beneficial to receive overtime because calling in sick guarantees 24 hours of overtime for another employee. Creating shorter schedules would help mitigate this problem because shifts/days would be shorter, and thus overtime shifts would be similarly shorter.

In order to help reduce annual costs, the Village could attempt to negotiate the following:

- Change the 24-hour shift schedule. The Village could negotiate a new 14 and 10-hour shift schedule or a 16-hour and 7-hour shift schedule per seven days. The first would limit the amount of overtime a firefighter can accrue by covering a sick day. The latter could be implemented to eliminate the need for "Kelly days." Since firefighters would only be working 40 hours instead of 48, the additional five days would no longer be necessary.
- Pay Kelly days as regular time disbursed throughout the year instead of as paid time off. Firefighters can currently work a day at regular time, use a Kelly day, and then cover another firefighter's sick day at time and a half, all in the same cycle. Here, a Kelly day creates 48 hours in additional paid time and a half for two firefighters that otherwise have worked two days in a cycle.

The Village faces similar circumstances with its Police Department. Officers work a 12-hour shift schedule and are paid 84 hours of regular time every two weeks. The police are given paid compensation time instead of overtime. However, with the current contract, every time an officer uses compensation time, the Village pays overtime for the officer that takes the shift and standard time for the officer taking the time off. Officers are also given 12 holidays per year, but the Village Treasurer has found that the officers sell back the holiday time because the paid compensatory time off is more than adequate.

The system of scheduling, compensation time and holiday buyback has a significant cost to the Village. The Village's recent police and fire retirement bill totaled \$677,000, which the Treasurer only expects to increase as officers maximize allowable benefits each year before they retire. For example, a captain with a base salary of \$60,257 is retiring with a salary of almost \$96,000 because of accrued overtime.

As stated below, the Village's public safety and fire expenditures account for a large majority of the Village's property tax levy and more than 64.4 percent of its total expenditures. Current contract provisions have produced costs that diminish the Village's ability to provide other services to its community. This is coupled with the fact that these contracts may be a barrier to shared service arrangements, given the need to "level-up" benefits and salaries when considering the merging of departments between local governments.

The Board believes that the Village can negotiate a contract that is still beneficial to the labor unions but is also fair to the Village's taxpayers. As with the Fire Department, the Board finds that the Village should negotiate for a reduction of the number of pass days, adjust the schedule to allow for less overtime, and remove the excess compensatory time allowed by the current contract.

Department and Fringe Spending as Percentage of Tax Levy and Total Expenditures (2018)			
Source	Spending	% of Tax Levy	% of Total Expenditures
Police Department	\$1,444,397	28.2	22.3
Fire Department	\$1,176,887	23.0	18.2
Medical and Insurance Costs	\$857,169	16.7	13.2
Police and Fire Retirement	\$600,000	11.7	10.7
Total	\$4,078,453	79.6	64.4

Recommendation: The Board recommends that the Village continue to implement workforce actions that will lower the Village's annual cost structure. If the Village agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to assist the Village with implementing such workforce actions. The specific structure and conditions of any such grants, which would be developed in consultation with the Village, and any other aspects of such grants would be subject to an affirmative vote of a majority of the total members of the Board.

Village Dissolution

The Board finds that the Village administration and residents should consider dissolution as an option to address the taxes imposed solely on the Village residents. Dissolution represents a viable option for any village experiencing fiscal stress, although the ability of the Town to fulfill necessary services would need to be analyzed prior to any efforts. The State offers resources to plan and implement a village dissolution. In addition, residents would annually benefit from additional tax credits provided after village dissolution.

Village of Herkimer and Town of Herkimer

The Town of Herkimer is governed by a Supervisor and four members of the Town Board. Other elected Town officials include the Clerk, the Receiver of Taxes, and two town justices.

Herkimer is the only village located in the Town of Herkimer. The Town of Herkimer is significantly larger than the Village in land area and property value. However, it appears that most of the Town's population resides within the Village.

	Village of Herkimer	Town of Herkimer
Population	7,498	10,175
Area (sq. miles)	2.6	31.7
Property Full Value	\$233.7 M	\$368.0 M

Even with this significant size difference, the Village and Town are similar demographically.

	Village of Herkimer	Town of Herkimer
Population Change (2000-2010)	3.3%	2.1%
Median Household Income (2015)	\$38,738	\$44,349
Median Home Value (2015)	\$86,500	\$91,200
Property Value Per Capita (2016)	\$30,027	\$35,950
Child Poverty Rate (2010)	25.9%	21.4%
Change in Child Poverty Rate (2000-2010)	17.4%	12.5%

The Village's 2016 total expenditures of \$9.7 million are about \$7.3 million more than the Town's total expenditures of \$2.4 million. This is most likely because the Village population is more centralized and requires more services than the Town's rural population. And, most notably, the Village supports a full-time Fire Department and full-time Police Department that account for a large portion of its expenditures as shown in the Budget Profile section of this Comprehensive Review.

	Village of Herkimer 2016 Expenditures		Town of Herkimer 2016 Expenditures	
	\$ (in millions)	%	\$ (in millions)	%
General Government	0.5	5.5	0.4	18.0
Public Safety	2.6	27.2	0.0	0.7
Transportation	1.4	14.7	0.9	36.4
Social Services	0.0	0.0	0.0	0.0
Culture and Recreation	0.0	0.5	0.0	0.6
Sanitation	0.4	4.4	0.0	1.1
Employee Benefits	2.1	22.1	0.6	23.2
Debt Service	0.5	5.3	0.2	9.2
Other	2.0	20.2	0.3	10.8
Total	9.7	100.0	2.4	100.0

Dissolution Grants and Incentives

State law provides two options for initiating the dissolution process – a resolution of a village board or a petition by village electors. Appendix C contains a summary of the reorganization process prepared by the Department of State.

If either the Village board or its electors would like to pursue dissolution, the State offers assistance with planning and implementing dissolution through the Citizens Reorganization Empowerment Grant program. The State also offers annual incentive aid through the Citizen Empowerment Tax Credit program

Citizens Reorganization Empowerment Grants

The Citizens Reorganization Empowerment Grant program (CREG) provides assistance to municipalities for the costs associated with studies, plans, and implementation efforts related to local government reorganization activities, including dissolution and consolidation.

These as-of-right grants provide funding of up to \$100,000 for local governments to cover costs associated with planning and implementing local government reorganization activities. Expedited assistance is given to local governments that have received a citizen petition for consolidation or dissolution.

Services for which grant proceeds may be used towards include:

- **Reorganization Planning:** A reorganization plan or agreement provides the blueprint for the disposition of a local government's property, services, and obligations. To develop such a plan or agreement, local government leaders and citizens need to have a full understanding of the current services and responsibilities of the local government. Developing consolidation agreements or dissolution plans require considerable data gathering, analysis, and discussion. A reorganization study will form the foundation for a consolidation agreement or dissolution plan.

- Expedited Reorganization Assistance: When the electors of a local government have filed a petition that requires a referendum on the question of local government reorganization, such local government is eligible for expedited reorganization assistance to cover costs associated with the development and dissemination of information to the electors prior to the required referendum. If the referendum is approved, the project will lead to a reorganization plan which provides the blueprint for the disposition of a local government entity’s property, services, and obligations.
- Reorganization Implementation: If it is determined that reorganization is in the best interest of the local government entity, the implementation of the dissolution plan or consolidation agreement will proceed. The complexity of a reorganization implementation is often dependent on the complexity of the local government entity and the consolidation agreement or dissolution plan. Implementation may need to include legal services, capital improvements, transitional personnel and other necessary items related to reorganization implementation.

CREG is administered by the Department of State. More information on grant requirements and how to apply is available at <http://www.dos.ny.gov/>.

Citizen Empowerment Tax Credit

If the Village of Herkimer dissolves, the State will pay additional annual assistance to the Town of Herkimer through the Citizen Empowerment Tax Credit (CETC). For cities, towns, or villages that consolidate or dissolve, these tax credits provide annual aid bonus to the surviving municipality equal to 15 percent of the newly combined local government’s tax levy, with a maximum award of \$1 million dollars annually. At least 70 percent of such amount must be used for direct relief to property taxpayers. Currently, 21 towns and their residents are benefitting by nearly \$4.3 million annually for 21 village dissolutions.

A sample calculation of what the CETC could be for the Village of Herkimer and Town of Herkimer follows:

Sample Calculation of CETC	
Village of Herkimer Tax Levy (2017)	\$5,120,000
Town of Herkimer Tax Levy (2017)	\$1,107,000
Combined Levy	\$6,227,000
15% of Combined Levy	\$934,000

The actual amount of CETC will be determined by the Division of Budget by calculating 15 percent of the combined amount of real property taxes levied by the Village and Town in the local fiscal year preceding the local fiscal year in which the dissolution occurred. For example, if the Village dissolved on December 31, 2018 (village fiscal year 2019 and town fiscal year 2018), CETC would be based on the amount levied by the Village in fiscal year 2018 and by the Town in fiscal year 2017. Given the size of the levies of both governments, a Herkimer dissolution award would be approximately \$934,000.

The Town would start receiving the CETC in the State fiscal year following the State fiscal year in which the dissolution occurs. For example, if the Village dissolved on December 31, 2018, this would be in State fiscal year 2019 (which begins April 1, 2018). CETC would be paid in September 2020 (State fiscal year 2020).

It is important to note that CETC would be in addition to existing Aid and Incentives for Municipalities (AIM) funding. After dissolution, the Town would receive CETC as well as both the Town's and Village's AIM funding.