

Tri-Cities Governance Study: Phase I



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Table of Contents

Executive Summary	1
Introduction	2
Governance Challenges	2
Communication between Elected and Appointed Officials	3
Inter-Local Agreements, Intergovernmental Contracts and Joint-Powers Agreements.....	3
Evaluating Inter-Local Agreements.....	4
Assessing the Potential for Inter-Local Agreements.....	6
Special Districts	7
Regional Councils	8
City-City Consolidation	8
City-County Consolidation	11
Alternatives to Consolidation.....	14
Conclusion.....	15
References	18

Executive Summary

Researchers affiliated with the William D. Ruckelshaus Center (a joint effort of the University of Washington and Washington State University that fosters collaborative public policy) have completed an assessment of case studies and literature on the topic of governance at the request of Tri-Cities Evolution (formerly known as the Tri-Cities Governance Study Task Force). This research effort was designed to provide information to inform dialogue and decisions in the Tri-Cities based on what can be learned from the experiences of other communities in similar circumstances. This work represents the first phase of what is anticipated to be a multi-phase project to support the exploration of opportunities for beneficial collaboration across the region. This report provides a detailed discussion of the findings from an in-depth review of examples from across the country.

In summary, this review indicates that communities pursuing collaborative approaches to enhanced governance are highly dependent upon the specific circumstances in those places at that particular time. In large measure, every example identified and studied was unique. Very few universal patterns or lessons were identified, meaning that any dialogue or action contemplated in the Tri-Cities must proceed from the unique circumstances present in the region and must be influenced by the factors, perceptions and opportunities present in the Tri-Cities more than on any outside examples. Among the observations discussed in more detail below are the following:

- Given the characteristics (historic relationships, size, current structures, etc.) of the municipalities comprising the Tri-Cities and surrounding region, it is unlikely that consolidation would result in significant economies of scale. The literature on the topic and case studies do not reveal clear predictable economic benefit.
- Although the potential for both positive economic and political outcomes from a successful consolidation effort exists, those outcomes are uncertain and difficult to quantify.
- Given the complexity, effort and collateral impacts inherent in the pursuit of consolidation for several cities located in two counties it is very possible that the drawbacks could outweigh benefits.
- There are, however, alternative ways to achieve many of the benefits which would theoretically flow from consolidation, while avoiding many of the risks and costs of full consolidation.
- Continuation and expansion of the collaborative and cooperative relationships and arrangements already in place in the area, as described in the original Communication, Cooperation, Collaboration and Consolidation (4Cs) Task Force report and examined below, are likely to produce more lasting and beneficial results.

Introduction

In 2007 the Communication, Cooperation, Collaboration and Consolidation Task Force (4Cs), convened by the Three Rivers Community Roundtable, began a process of examining the various government, private business and non-governmental organizations in the Tri-Cities region. The Task Force worked through formal and informal means to achieve mutually beneficial outcomes in the Tri-Cities. This current study was developed as a follow-up to the previous efforts of the 4Cs Project and is designed to proceed in phases to examine options for effective governance in the region.

This initial phase sought to find appropriate, informative case studies and literature from governance-related efforts across the country and to capture and summarize key lessons and observations which can be applied to the study of governance in the Tri-Cities region. Data for what follows were collected from secondary sources to identify examples of governance-enhancing activity, including successful and unsuccessful collaboration/consolidation efforts, in other parts of the country.

It is important to note that this study does not contain outcome recommendations for governance in the Tri-Cities region. This review is not comprehensive in nature, but rather represents a best-effort snapshot of existing literature and case studies of communities that continue to work toward improved governance and the delivery of services to their citizens.

Governance Challenges

Communities across the US have examined alternative governance arrangements for various reasons. These investigations have been born from fiscal stress, changing public expectations and shifting responsibilities for services. As a result, many communities have undertaken the task of considering a restructuring of service delivery.

The outcome of these examinations has led to both academic and pragmatic investigations of differing governance relationships, primarily as they relate to economic development, the quality and cost of service provision and the quality of leadership. All of these concerns were a foundation for the 4Cs Project referenced above.

The trend of economies evolving and developing regionally and increases in political integration or alternative service delivery approaches have led to a certain degree of functional regionalism, regional cooperation and regional politics in many areas. Savitch and Vogel (1996) have defined this type of regional politics as:

“Informally, regional politics consists of political networks that arise to govern clusters of localities; economic linkages that shape the growth and decline of communities; and a complex web of transportation, human habits, and social arrangements that compose America’s urban sprawl.”

They go on to note:

“Regional politics transcends legal jurisdictions because of the need to promote economic development, protect the environment, rebuild infrastructure, deliver new services, and above all manage public policy in a competitive world. By definition, regional politics is intergovernmental, nested in economic linkages between cities and suburbs, and is fueled by mobile capital, labor, and culture.”

In this sense, the Tri-Cities region is like the majority of other regions in America in that this concept of regional governance is defined by regular and extensive communication between public officials along with the use of a variety of service delivery approaches. These include contracting with various for-profit and non-profit organizations, entering into joint agreements, and using franchises, subsidies and volunteers to achieve their common objectives.

Communication between Elected and Appointed Officials

The most substantive work on the role of political cooperation, collaboration and integration among municipalities comes from H. Paul Friesema (1971). In a survey of 227 elected and appointed officials in the Quad City area of Illinois and Iowa, he noted a very high level of intergovernmental personal exchange among and between local officials in the everyday course of their work. He noted that these exchanges (meetings, phone conversations, mail correspondence, etc.) were an important political integrative mechanism. Moreover, he noted that these forms of interaction were quite persistent and durable in character. He noted,

“Interjurisdictional personal contact in the course of work is found to be very widespread ... It amounts to an extensively used process for integrating activities of the separate jurisdictions. Much of the maintenance of the political community occurs because the public officials deal with each other in regular, recurring, and systematic fashion.”

George Frederickson and his colleagues (1999) found a similar pattern in their study of the Kansas City metropolitan area. These studies strongly suggest that there is a considerable amount of regular personal interaction, cooperation and collaboration between elected and appointed officials in metropolitan regions. These personal networks usually involve officials in the same functional areas and are often not visible or recognized by the public, therefore form a hidden administrative framework for local government.

Inter-Local Agreements, Intergovernmental Contracts and Joint-Powers Agreements

Many of the problems facing local governments are transjurisdictional in nature (Thurmaier and Wood, 2004). That is, many problems cross existing political boundaries, affecting multiple cities or require a joint city-county response. The classic cases involve criminal activity in one community or part of a county impacting other jurisdictions.

Interlocal agreements (ILAs) are an important option for addressing these types of transjurisdictional concerns. This type of activity is extensive across the country. The most common types of activities

addressed by ILAs in smaller municipalities include jails, police functions, street lighting, refuse, libraries, planning, engineering services, electrical supply, solid waste, animal control services and water supply (Zimmerman, 1973). A 1984 (Henderson) study of cities and counties showed that the majority had entered into ILAs. Most of the areas addressed in this study included public works and utilities, public safety, health and welfare, finance and general government. The rationale for entering into these agreements was to achieve economies of scale, to organize beyond jurisdictional boundaries and to eliminate duplication (ACIR, 1985).

Local governments in the state of Washington can enter into a wide variety of ILAs, as authorized by 39.34 RCW. Like in many states, the majority of ILAs in Washington are contracts for services between local governments. Most of these contracts involve direct payments for services. Others are agreements to exchange services. For instance, as of 2006, the City of Sumner performed certain animal control services for Puyallup, in exchange for jail services from Puyallup (Association of Washington Cities [AWC], 2006). Other agreements are more elaborate and require the creation of a new joint governing body. For example, again according to AWC, the cities of Lacey, Olympia and Tumwater formed the Joint Animal Services Commission. The member cities share ownership of the Commission's assets, but operational costs are distributed on a formula based on population and the number of calls. Some ILAs are also formally incorporated as special districts (see below).

Evaluating Inter-Local Agreements

Thurmaier and Wood (2004) have developed a framework that allows comparative study of ILAs. Their framework is as follows,

“The first dimension identifies four levels of ILA activities... Communication, the first level of intergovernmental relations, involves networking, dialogue and information sharing. Coordination, the second level, involves sharing resources, personnel, equipment, and joint efforts to achieve a goal... Collaboration, the third level, when two or more jurisdictions merge a function or one jurisdiction manages the function for the other. Finally, political consolidation occurs when two jurisdictions... become a single government.”

Thurmaier and Wood add to this typology an additional dimension of whether the ILA is one of substantive policy or service area. Their research suggests that “establishing transjurisdictional agreements may be a strategy for local governments to overcome the disarticulated state and ward off consolidation efforts because a local government seems incapable of single-handedly solving economic and social problems and providing the quality of public services the citizens demand and expect” (Thurmaier and Wood, 2004).

The main argument for ILAs is that they create new efficiencies. This can happen many ways. Some of the potential gains are from lower service delivery costs. For instance, services that require high levels of capital investment, such as hospitals or public safety dispatch, are good candidates for ILAs because they allow governments to share costs rather pay the full cost of those investments. The same basic argument applies to services with high staffing costs or intensive staffing needs.

Another key potential advantage is that ILAs allow governments to design the service delivery area around service delivery needs rather than around political boundaries. This is especially important

given the geographic size of many Washington counties. Many rural areas are much closer to a city or county seat in a neighboring county other than to one in their own county. ILAs allow local governments in these circumstances to deliver services where they are most needed, despite traditional political boundaries (Taylor and Sotebeer 2012).

Some believe ILAs have benefits beyond service delivery, that they can in fact improve the quality of regional governance. The widespread use of these agreements emphasizes the regular and persistent service and political interaction between various local government entities. This intensity of interaction can foster a “norm of reciprocity” among elected officials and can help regions to better understand the complexity of their shared challenges and how to address those challenges (Thurmaier and Wood 2002). This level of interaction is in sharp contrast to a common perspective of communities moving toward consolidation.

That said, ILAs are not risk-free. Many citizens resist the idea for fear of losing their local identity when services are delivered. This is crucial for services like public safety and emergency medical services, where citizens fear that the loss of “local knowledge” could diminish service quality or even endanger lives. Local government employees are often skeptical of ILAs for this same reason and because many ILAs result in lower staffing levels or restructuring of existing responsibilities among local government employees. Others have shown that ILAs are difficult to monitor and difficult to modify when citizens’ demand change. Rather than renegotiate the terms of an ILA, many jurisdictions simply leave them when public opinion about the ILA shifts (Warner and Hefetz 2009).

Some of the opposition to ILAs is more abstract but equally important. In one of the first works on the subject, Vincent Marando (1968) noted,

“Is interlocal cooperation a strong enough device to provide a fundamental solution to metropolitan problems? To assess the effects of interlocal cooperation upon metropolitan problems, one has to come to grips with what constitutes a metropolitan problem. If inadequate services such as water, sewers, libraries, and police protection are seen as metropolitan problems, the interlocal cooperation appears to provide a solution to metropolitan problems... If metropolitan problems are viewed in terms of racial segregation, inadequate housing, and municipal tax resource inequities created by the multiplicity of local governmental jurisdictions, then the answer is no.”

There is little empirical research on these questions about the actual outcomes or “performance” of ILAs and all of the work to date is based on surveys and perceptions rather than actual data on service delivery outcomes. That said, the research so far is instructive. In a forthcoming academic paper Chen and Thurmaier report findings from a survey that showed that the majority of elected officials in Iowa local governments believe ILAs enhance efficiency and effectiveness of local service delivery. Wood (2006) did a similar survey of local government managers involved in ILAs in greater Kansas City. He reached a similar conclusion; that more than 70% of managers believe ILAs improve the quality of local services, allow jurisdictions to standardize services across jurisdictions (thus creating efficiencies) and share in problem solving. Morton, Chen and Morse (2008) surveyed citizens in small towns in Iowa and found that the number of ILAs in general had a positive effect on citizen perceptions of local government service quality.

However, Zeemering's work offers an important empirical counterpoint consistent with the Marando argument. Through a series of interviews with local elected officials Zeemering found that many ILAs fall short on "democratic performance." That is, they are often designed to promote efficiency but do not pay adequate attention to accountability and responsiveness. In many cases accountability and responsiveness are antithetical to efficiency, as citizens often demand better quality, faster and more customized services that are less efficient to deliver. Zeemering shows that most elected officials are principally concerned with whether ILAs provide immediate and direct benefits to their jurisdictions. According to his findings the most common deterrents to successful ILAs are problems with finding a fair distribution of costs across the ILA participants and protecting employee interests. The key point from this research is that local elected officials must be key players in ILA design and must agree in advance to a mechanism to revisit the ILA as citizen demands change. If not, they will face the constant temptation to back out of the partnership as the only way to respond to their constituents' concerns.

Therefore, although it is limited in scope, the empirical research to date on ILAs offers an important lesson: ILAs can have enormous benefits, but long-term success in ILAs is a function of quality governance. Citizens, elected officials and local government staff must have a constant dialogue across jurisdictions about if and how an ILA is meeting its goals and objectives. This requires a shared goal of improving the quality and efficiency of local government services. But more important, it requires a shared vision for the region's future, and that vision must include some sense of where and how to trade-off efficiency for other goals.

Assessing the Potential for Inter-Local Agreements

That said, the key question is when is the time right to pursue ILAs? On this point the AWC offers up the following recommendations in a 2006 report. According to their review, the principal concerns when considering an ILA, and the best way to address those concerns, are as follows:

Turf and Trust – Loss of autonomy is the main impediment to forming and sustaining ILAs. All stakeholders in a potential ILA must discuss these concerns openly and honestly from the outset. Ironically, many successful ILAs grew out of broader discussions about ways to promote inter-jurisdictional cooperation. Put differently, successful ILAs reflect an underlying culture of trust, respect and shared governance. In some cases, this might mean several months or years of conversation before getting to the business of crafting an ILA.

Motivation to Expand Cooperation – Many ILAs fail because the jurisdictions involved have different policy goals at the outset. This is especially true in today's fiscal climate, where some local governments are looking to ILAs as a way to contain costs and do more with less, where others are looking to ILAs as an alternative to eliminating certain services. All the parties involved must have a shared understanding of why they intend to cooperate. Again, it may take months or years to develop that understanding.

Employee Acceptance – Many of the efficiencies from ILAs come from reducing staff or restructuring staff duties. Like with turf issues, these concerns should be articulated with employees early and often. Some of the most successful ILAs were developed by staff who had ideas about how to better collaborate, but were never asked directly.

Tri-Cities Governance Study: Phase I

Fragmentation of Service Delivery – Put differently, “democratic performance” is key. Successful ILAs have clear lines of oversight and coordination designed by elected officials and other key stakeholders who must answer for the ILA’s success.

Community Identity – As mentioned, loss of local character and identity is a big concern for citizens in the context of ILAs. Most successful ILAs address this through careful marketing and branding of symbols, seals, uniforms and other elements that connect the service with specific communities rather than regions or broader entities.

Salary and Benefit Control – For an ILA to succeed over time there must be a shared understanding of how to address growth in salaries and other operating costs. Many good ILAs have failed because one jurisdiction participating in the ILA provided raises to its employees while the other did not. Ex ante understanding of changes over time in cost structures is key.

Cost Allocation – This is perhaps the most challenging and technical aspect of local government partnerships. Successful ILAs specify up front who will bear which costs, and on what basis those costs will be allocated (i.e. the “cost drivers”). This is especially true for fixed costs around capital investments and staff. Failure to specify a fair sharing up front can sink an ILA.

Double Taxation – Citizens sometimes believe ILAs between cities and counties or between cities in the same county can lead to “double taxation.” That is, if a property-owner pays both local property taxes and county property taxes, but the local government pays the county to provide a service, then it may seem that taxpayer is paying twice for the same service. It’s important to clarify that this is rarely the case with most ILAs.

Special Districts

Special districts are by far the most numerous type of government in the US. Special districts are independent, limited-purpose governments other than school districts. They are administratively and fiscally independent from local governments.

There are currently more than 1,600 special districts in Washington State (Municipal Research and Service Center [MRSC] 2012). They most often perform a single function, though some perform a limited number of functions. They provide an array of services and facilities including electricity, fire protection, flood control, health, housing, irrigation, parks and recreation, library, water-sewer service and more recently stadiums, convention centers and entertainment facilities that are not otherwise available from city or county governments. While the number of special district statutes counted may vary depending on the definition of a special district, over the years, the Washington Legislature has enabled more than 80 different types of special purpose districts. Once thought of as existing only in unincorporated portions of counties, many district statutes allow the inclusion of cities and towns.

The vast majority of special districts cover a single county. However, according to the most recent MRSC (2012) data, there are 23 multi-county special districts, including three near the Tri-Cities established jointly between Columbia and Walla Walla counties: Columbia/Walla Walla Joint Fire Protection District #2, Prescott Joint Park and Recreation District and Columbia County Public

Hospital District #1. As of now, there are no multi-county districts that involve Benton or Franklin counties.

Regional Councils

There are about 453 regional councils in the US. These are, for the most part, voluntary associations of local governments. These organizations are quite diverse in character. The vast majority of these councils were established as councils of governments (COG), while others evolved from either economic development districts or from regional planning commissions. Since about 1980, federal financial support for these entities has been largely eliminated, and as a result the number of regional councils has declined steadily since that time.

Interest in regional councils has recently grown due in large part to the passage of the Intermodal Surface Transportation Efficiency Act (ISTEA) in 1991 and with the Clean Air Act Amendments of 1990. ISTEA requires that a regional planning organization be designated for the development of a comprehensive and balanced regional transportation plan. The Clean Air Act mandates the development and implementation of regional air quality standards or risks the loss of federal funds for transportation projects.

Regional councils have come under considerable academic scrutiny. They have been criticized for their largely voluntary character and organizational maintenance needs. In addition, they have been critiqued for not forcefully addressing a number of very difficult social problems facing metropolitan areas. These have included poverty, education, racism and crime. They do have their supporters, however, in the academic community. Nelson Wikstrom has noted that academics have missed the mark in their criticisms of regional councils. Wikstrom feels that these organizations were never intended to resolve these types of issues nor were they intended to take the lead of fighting them.

City-City Consolidation

As the Three Rivers Community Roundtable noted in its report, consolidation has been a topic of discussion in the Tri-Cities for some time. As the report notes, "Would we be better off as a consolidated community? Would consolidation make life better for the citizens of the community? Can the greater good outweigh the difficulties? Clearly these questions continue to reverberate across the community."

This report is not intended to resolve these questions for the Tri-Cities region. There are, however, research and case studies that can perhaps provide some further basis for making an informed decision as the Tri-Cities region continues to examine these concerns.

Halter (1993) examined all city-city consolidations in the US between 1970 and 1988 that had been identified by the US Census Bureau's Boundary and Annexation Survey. His focus was on examining why these consolidations took place, why voters supported these efforts and whether there were any common characteristics among these communities.

A total of 48 city-city consolidations took place from 1970 to 1988. Population size, population change and service delivery/financial problems were related to the success of these consolidations. Of the total number of successful consolidation 32 were between small cities (populations of 9,000 or smaller—and of these 72% were below 5,000). The change in population in these communities varied. In 22 cases both communities saw growing populations over the prior decade. In 8 both were declining in population over the previous decade, and in 22 one of the consolidating communities had lost population over the prior decade. Financial problems, sewer service and fire protection were the most cited reasons for consolidation.

In Washington State, the MRSC (Summer 2003) has produced an excellent overview of this subject as it relates to cities. In this report, they succinctly capture the major challenges which communities must wrestle with when considering the issue of fragmented government and the provision of services.

The idea that consolidating or merging local governments will improve services has its roots in the progressive reform movement that began during the late nineteenth and early twentieth centuries in the US. Metropolitan areas when large numbers of local governments were viewed as organizationally “fragmented” and prone to a variety of ills, including inefficiencies and inequities.

Fragmented authority, either within a government or between several local governments, was viewed as a source of weakness. The proponents of consolidation argue that fewer and larger local governments will be more efficient and effective than many small governments. Costs can be held down and perhaps reduced through the elimination of duplicative services, personnel and equipment. Larger governments may also be able to take advantage of “economies of scale” or lower per-unit costs for government services. Further, a single unified government will be better able to coordinate policies and decisions for activities, such as regional planning and economic development, than several independent governments.

In fragmented government systems, some services may benefit citizens in adjoining areas who neither pay for the service nor share in the effort involved in its delivery. The proponents of consolidation argue that “spillover effects” like this will be eliminated when the boundaries of the service area are the same as the boundaries of the taxing jurisdiction. In this way, the tax burdens within communities can be equalized through the creation of governments that more clearly match area needs.

The opponents of consolidation counter that greater fragmentation of local governments and increased competition between them will promote reductions in service costs, increased public access and greater political accountability. The superior fiscal performance of governments in a fragmented system comes from the effects of inter-jurisdictional competition and from their ability to choose from a variety of service arrangements of various scales (ACIR, 1992). Where contracting out is an option, even the smallest cities can take advantage of economies of scale, where they exist, through contracts with outside (public or private) service providers.

The opponents also charge that consolidation undermines community identity and reduces political accessibility and accountability by further removing elected representatives from their constituents. They argue that decentralized structures are inherently more democratic for the simple reason they are closer to the people (MRSC, Summer 2003).

There have been a number of studies done on government consolidation, but it should be noted from the outset that the actual number of cases is quite limited. As a result, the evidence either for or against government consolidation is less than compelling.

The Washington MRSC reaches a similar conclusion. When looking at the economies of scale and the potential benefits that might come with consolidation they note,

“The consensus among researchers who have studied consolidation efforts is that nearly 80 percent of municipal services and activities don’t possess economies of scale beyond a population of approximately 20,000 residents. The remaining 20 percent tend to be services that are highly specialized, such as police crime labs that are used only infrequently, or those that require large capital investments, such as sewage treatment plants or landfills (Bish, 2001).

The Federal Advisory Commission on Intergovernmental Relations concluded that per capita costs generally fall for municipalities with populations up to 25,000, remain fairly constant for those up to 250,000, but then rise significantly (ACIR, 1987).

In general, services that require large capital investments, like sewage treatment plants or landfills, may possess economies of scale and will benefit by spreading the cost over a large population. Activities that are labor-intensive, like police services, on the other hand, are likely to experience diseconomies of scale such that average costs actually increase with the size of the jurisdiction (Bish, 2001).

While the research findings do not appear to support the claims of the pro-consolidation proponents in cases that have involved consolidations of large communities, the evidence from these same studies does suggest that scale economies may still be achievable through consolidations of smaller communities (e.g., those under 20,000 population) (Bunch and Strauss, 1992). In fact, most of the consolidations in this country have been between very small cities below 10,000 in population or between one small and another relatively large city (Halter, 1993)” (MRSC, Summer 2003).

Most of the research in this area is more than twenty years old, so we analyzed more recent data to re-test these claims about economies of scale around city-city consolidations. The results of that analysis are presented in Figures 1 and 2 below. Based on Halter’s (1993) research and on more recent data from the US Census we identified ten consolidations of roughly equal-sized jurisdictions between 1970 and 2010. We then collected financial information on those jurisdictions and compared the impact of consolidation on key financial metrics such as total revenues, own-source revenues, property tax collections, total expenditures, debt service payments and salary expenditures. The exception to this strategy is the Sacramento-North Sacramento, CA merger, where Sacramento was much larger. Nevertheless, we include it here because the population of the consolidated Sacramento is much closer to the Tri-Cities than to many of the other cases presented here.

The light gray dots in Figures 1 and 2 are the mean levels for those metrics in each jurisdiction prior to consolidation, and the dark gray dots are the mean levels after consolidation. All figures are in per capita constant 2005 dollars. Figure 1 presents this analysis for consolidated jurisdictions with less than \$1,000/revenue per capita, and Figure 2 is jurisdictions with greater than \$1,000 per capita. The

date of each consolidation is listed in parentheses. The exact dates included in the analysis vary by jurisdiction. See the caption for details.

These figures illustrate two main points, both consistent with previous research. First, regardless of size, city-city consolidation rarely results in large decreases to revenue collections or spending levels. In fact, in four of the seven cases overall revenues and spending increased. In the other three, Bloomfield, NY, Iron River, MI and Norwood Young America, MN, revenues and spending levels after the consolidation are roughly the average of the pre-consolidation levels across the consolidated jurisdictions. Put differently, consolidation often splits the difference between high tax and low tax jurisdictions or between high spending and low spending jurisdictions.

The second key finding is that the size of these effects is unrelated to population. Small jurisdictions were just as likely as larger jurisdictions to experience either a nominal savings or a large spending increase following consolidation.

City-County Consolidation

According to Leland and Thurmaier (2006), city-county consolidations make up only 1% of the 3,043 county governments in the US and about 1.5% of the 19,371 city governments. City-county consolidation takes place when a county and one or more cities within that county merge to form a single government. Boundary lines of the jurisdictions become coterminous. In most cases, however, smaller towns, school districts and city- or county-owned utilities are excluded (Leland and Thurmaier, 2004) while water and sewer services usually are included in the new government.

City-county consolidations are, in a statistical sense, rare. There have been 37 city-county consolidations in the US. All these consolidations (with two exceptions) were in the southern part of the US, and only one involved a county population of more than 500,000. According to the National Association of Counties (NACo), there have been at least 31 failed attempts to consolidate during the same period.

In a 2005 review of the literature on city-county consolidation, Staley et al. reported:

“The literature on consolidation and general government performance seems to point to mixed effects. Reese’s summary (p. 605) is perhaps indicative of the literature in this area: “In short, some things have stayed the same, some things have improved, and some things have become more complicated. The outcomes... have been mixed.” In general, it is uncommon (although not impossible) for operating costs to decrease—due primarily to the “leveling up” of salaries and benefits. As local governments with differing compensation structures are consolidated, salaries and benefits are often standardized at the higher level.

Consolidation hopes to influence economic development through more efficient provision of public goods, a more coherent regional strategy to attract businesses, and addressing environmental issues and other externalities (e.g., growth issues like sprawl and traffic congestion). The literature indicates a modest but positive correlation between consolidation and economic growth, but this correlation is less impressive when compared to statewide economic growth and growth in comparable areas without consolidation.

Perhaps the most pertinent conclusion from the literature is that government consolidation can lead to serious morale problems among government employees as distinct government units are merged. Differences in policies, compensation scales and employee classification systems are difficult to reconcile. The complexity of the transition and the resulting stress and uncertainty are often identified as a key reason for low morale. Such problems can persist for several years after consolidation.”

They go on to conclude that,

“From the limited number of studies available on the effects of city-county consolidation, the various research methods used, and conclusions drawn from them, it is possible to draw a few relevant conclusions.

Significant gains in efficiency are unlikely.

Significant gains in perceived service quality are more likely but by no means assured.

When making modest changes to city governance—consolidating a few units of service provision—it is unlikely to significantly impact economic development.

Morale problems are a potential land mine with any effort to consolidate governmental units, especially those which differ considerably.

Context matters.”

In a study on city-county consolidation in Milwaukee, the Wisconsin Policy Research Institute reached a similar conclusion. The Institute notes,

“The evidence from the existing consolidations suggests that a strong case cannot be made for full consolidation as the answer to Milwaukee’s ills.

First, there is no clear model of what consolidation should include in terms of governments and services. The examples reviewed cover a range of alternatives.

Second, efficiencies have only occasionally been achieved. Taxes have often risen, not gone down in consolidated systems.

Third, the quality of service delivery has usually increased, but that is not always the case.

Fourth, almost universally, minority voting power has been eroded, an unacceptable end in Milwaukee.

Fifth, equity in paying for services has not often been achieved. Central city residents in Indianapolis, for example, pay for their own services as well as for services that serve only non-city residents. This is just the opposite of what is meant by equity.

Sixth, credibility of government may increase with a merger if it leads to the election of an outstanding leader. But there is little to suggest that consolidation would ensure that outcome.

Seventh, a full consolidation would increase the size of the city's population, but since both the City and Milwaukee County suburbs have been losing population, the net effect would still be one of population loss.

Eighth, there is neither a political leader nor strong citizen organization in Milwaukee that is leading the fight for consolidation. Without very strong leadership and support, consolidation will not occur.

There is no "silver bullet" solution to help Milwaukee provide more efficient, more effective, more equitable, and more credible government. Consolidation is not the answer to what ails Milwaukee at this juncture. What is required instead is hard work to overcome a variety of barriers to cooperation and to doing things differently" (Miller, 2002).

In a wider review of the literature Archibald and Sleeper (RAND, 2008) note,

"Political scientists distinguish between structural consolidation (in which the services provided, the governance bodies, and the geography of the area become one, or close to one, with school districts, for example, often being excluded), and functional consolidation (in which many or most services provided and boundaries are consolidated, but other service institutions and boundaries remain). The remaining units could be local governments, special districts (for example, water treatment or other regional services), school districts, or other special-purpose, quasigovernmental agencies. Virtually all the modern-day consolidations have been functional ones, each with a different set of taxing, service provision, and governance outcomes. Complete consolidations are extremely rare."

There are a number of similarities in successful city-county consolidations as noted in a RAND (2008) study for the City of Pittsburgh and Allegheny County.

"Usually, there is a history preceding consolidation of some kind of shared service arrangements, for example, providing for common water treatment, sewage treatment, tax collection, or emergency-service dispatching. Usually, there is also a history of failure at the ballot box. That is, voters have turned down one or more measures to consolidate before a successful consolidation measure was passed. Because of this, the measures that do pass frequently include compromises that may represent less than full consolidation but are intended to overcome perceived reasons for earlier failure."

The RAND report goes on to note,

"Typically, school districts and some other special-purpose districts (e.g., water treatment, mosquito abatement, flood protection, power) are not absorbed into the consolidated entity. In some cases, complete municipalities within the county other than the one or more actually consolidated are left out. Often, there is unincorporated geographic area absorbed into the new government, not unlike the annexation process. In some cases, tax-sharing arrangements that existed before consolidation remain afterward, subject to whatever guidelines and geographical boundaries were in place before consolidation.

State governments have quite different laws regulating what types of consolidation are allowed and the parameters of elections that must take place to effect a consolidation. Not

infrequently, localities have had to seek state legislation to enable the particular consolidation envisioned. Finally, as noted earlier, almost all consolidations include overlay governmental or quasigovernmental units. Examples of these include the metropolitan planning organizations that the federal government mandates be set up in order to receive certain types of federal funding (in the case of the greater Pittsburgh region, the Southwestern Pennsylvania Commission [SPC]), multicounty planning or economic-development organizations, and all manner of other special-purpose districts.

In short, in discussing city-county consolidation, the conversation involves events with as many—if not more—dissimilarities than similarities.” (emphasis added)

The arguments for moving to a consolidated city-county government are similar to those raised for cities. It is argued that consolidation can improve efficiency in the delivery of services, eliminate fragmented governance and improve fiscal and social balance. The efficiency argument is based on a belief in the achievement of economies of scale and the elimination of duplication of services, thereby lowering costs. The less-fragmented governance argument suggests improved coordination among governmental units, improved capacity to deliver services through a more professionalized bureaucracy, enhanced planning capability and, notably, unity of leadership. The fiscal- and social-balance arguments suggest increased citizen participation, more-equitable tax and service burdens and, importantly, enhanced economic development.

The arguments raised against consolidation parallel those for adoption. They include that fragmentation to a certain extent is good, and consolidation unduly restricts citizens’ choices to live in an area that provides the bundles of goods and services that meet their preferences; that diseconomies of scale rather than economies of scale will accompany consolidation; and that consolidation will bring all of the problems of the central city, especially fiscal burdens, to its surroundings without concomitant benefits.

Alternatives to Consolidation

As a number of studies have pointed out there are several alternatives to consolidation that communities can make use of. These include,

Private Contracting – Contracting out services to private firms is the most common alternative service delivery approach used by local governments. Under private contracting arrangements, a local government pays a private firm to deliver all or a portion of a service instead of doing the work itself. Contracting with private firms may result in lower costs where competition keeps prices low. In addition, local governments may be able to avoid high capital investment costs where private firms provide their own specialized equipment.

Mutual Aid Agreements – Mutual aid agreements provide municipalities with collaborative support on an “as needed” basis in such areas as fire protection, emergency services, and law enforcement. The participating local governments maintain control of their participating departments and services.

Shared Use of Facilities and/or Equipment – Sharing facilities and equipment also presents opportunities for improving the efficiency of services. For example, it may be much more cost effective for several small jurisdictions to pool their resources for the purchase of expensive street cleaning or snow removal equipment, where the costs of purchasing, operating, and maintaining the equipment can be spread over a larger population base.

Exchange of Services – A variation on the sharing of facilities or equipment would be an exchange of services in-kind between two or more local governments. For example, one city could plow snow in the winter while the other maintains rights-of-way in the summer.

Intergovernmental Contracting – Intergovernmental service contracts with neighboring jurisdictions may also provide opportunities to reduce service delivery costs where smaller jurisdictions can collectively realize economies of scale that would not be possible for individual jurisdictions. Opportunities arise in situations where one municipality has greater resources or ability to provide a given service, and effectively “sells” the service to neighboring municipalities.

Consolidation of Selected Functions – Functional consolidation is any agreement by two or more local governments to consolidate the funding and/or delivery of a specific service. This can be done at a service level (e.g., street sweeping) or at the departmental level (e.g., police or public works)” (MRSC, Summer 2003).

Conclusions

In part, because the research effort which this report summarizes was not designed to develop recommendations for consideration by stakeholders in the Tri-Cities region, and in larger measure because our research has led us to conclude that general observations about whether or how to approach consolidation may not reliably be drawn from the individual experiences of other jurisdictions, we offer no definitive conclusions about whether a particular approach to improved governance might be appropriate here. In fact, our research has led to the conclusion that every situation involving a quest for improved governance is unique.

Each decision to pursue improved governance has been based upon the particular situation and circumstances in that specific jurisdiction. The outcomes we have seen documented are every bit as specific and particular to the jurisdiction. Each place is unique. The circumstances of each place and each community are distinct. The opportunities for improvement are driven by individual factors. In the Tri-Cities, the decision on whether to proceed with an effort to identify and achieve an improved governance structure, whatever that might be, must be driven by the circumstances and situation in the Tri-Cities.

Relative to consolidation, the literature suggests that many factors need to be considered. The MRSC report’s conclusion about consolidation is unclear. That report notes,

“The short answer to the question posed by the title of this article must necessarily be an equivocal “it depends.” The evidence seems to suggest that larger governments do not provide labor-intensive services (which make up the bulk of local government spending) at a

lower per-capita cost than smaller governments do. In other words, in the context of local government, “bigger” is not always better. While cost savings through economies of scale have eluded many large municipal consolidations, the evidence suggests that these may still be achievable for consolidations of smaller entities (e.g., cities under 20,000 population).

Increasingly, research indicates that fragmented metropolitan areas are more efficient in providing public services than was once thought to be the case. Smaller governments can cost less because they do not have to provide all services themselves and because they have the ability to capture economies of scale, where they are available, by using a variety of alternative service delivery mechanisms” (MRSC, Summer 2003).

A similar conclusion was reached by the RAND analysis of consolidation between the city of Pittsburgh and Allegheny County. The authors of that report note,

“Our review of the academic literature suggests that those who have studied consolidation believe that it will enhance a region’s capacity for economic development and that it should help economic performance. However, we could not find unequivocal evidence that city-county consolidation does improve economic development. Neither did we find any strong analysis refuting the notion that consolidation can improve it. The empirical work we reviewed does not show statistically significant evidence that consolidation will enhance economic development when measured against a variety of measurements, such as firm or payroll growth. In some cases, statistically significant growth did occur but at the same pace as in the rest of the state or comparable regions, suggesting that the growth might have occurred irrespective of the consolidation. However, the empirical studies are few and the measurement issues difficult, leaving the academic case unsettled” (RAND, 2008).

That said, the RAND authors also conclude that,

“Even if not demonstrable empirically in other settings, key signs point to some version of consolidation as being helpful for the City of Pittsburgh and Allegheny County. First, improved policy direction and unity of leadership seems within grasp, and our judgment is that this can have a positive—albeit difficult to measure—effect on economic development. Second, improved coordination and sharpening of economic-development initiatives seem within reach, and our judgment is that this would have a positive (although, again, likely to be difficult to measure) effect on economic development.

These conclusions come with caveats. First, any such economic-development gains will require enhanced coordination and collaboration with the private sector. The consolidated entity still will have to deal with the need to rationalize the myriad of economic-development efforts under way within the region, including the worthy public-private partnerships and the perception of a bewildering number of programs and agencies that seem to have some responsibility for the economic well-being of the region. Second, fragmented regulatory processes and intergovernmental competition will remain drags on regional economic development if the consolidation scheme involves only the city and county. Finally, we recognize the inherent limitations of employing a body-of-evidence approach, described earlier. The direction and magnitude of effects are our judgments based on distillations from

our research and interviews. However, the process can sharpen the debate about consolidation and provide a common framework for discussion” (RAND, 2008).

The caveats of this report are significant. As noted by MRSC (Summer, 2003) and others there are a wide array of tools and mechanisms that can be brought to bear on governance issues.

Transfers of functions between municipalities and counties, mutual aid, service consolidations, intergovernmental agreements and private contracting offer a rich array of potentially cost-effective means for satisfying growing service needs, even while municipal borders may remain fixed. (MRSC, Summer 2003). Collectively these areas of ‘functional consolidation’ do represent an opportunity for the Tri-Cities region. As we noted previously, ILAs can have enormous benefits, but long-term success in ILAs, like all of these functional linkages, is a function of quality governance. Citizens, elected officials and local government staff must have a constant dialogue across jurisdictions about if and how an ILA is meeting its goals and objectives.

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Successful City-City Consolidations in Washington State (MRCS, Summer 2003)

City/Town	Year
Houghton - Kirkland	1968
East Stanwood - Stanwood	1961
Lakeside - Chelan	1957
Charleston - Bremerton	1927
Port Orchard* - Bremerton	1927
Hillyard - Spokane	1924
George Town - Seattle	1910
Ballard - Seattle	1908
Fairhaven - New Whatcom**	1903
New Tacoma - Tacoma	1883
New Whatcom - Whatcom	1891

*Historically there was apparently another Port Orchard, not to be confused with the modern-day Port Orchard

**Formed the city of Bellingham

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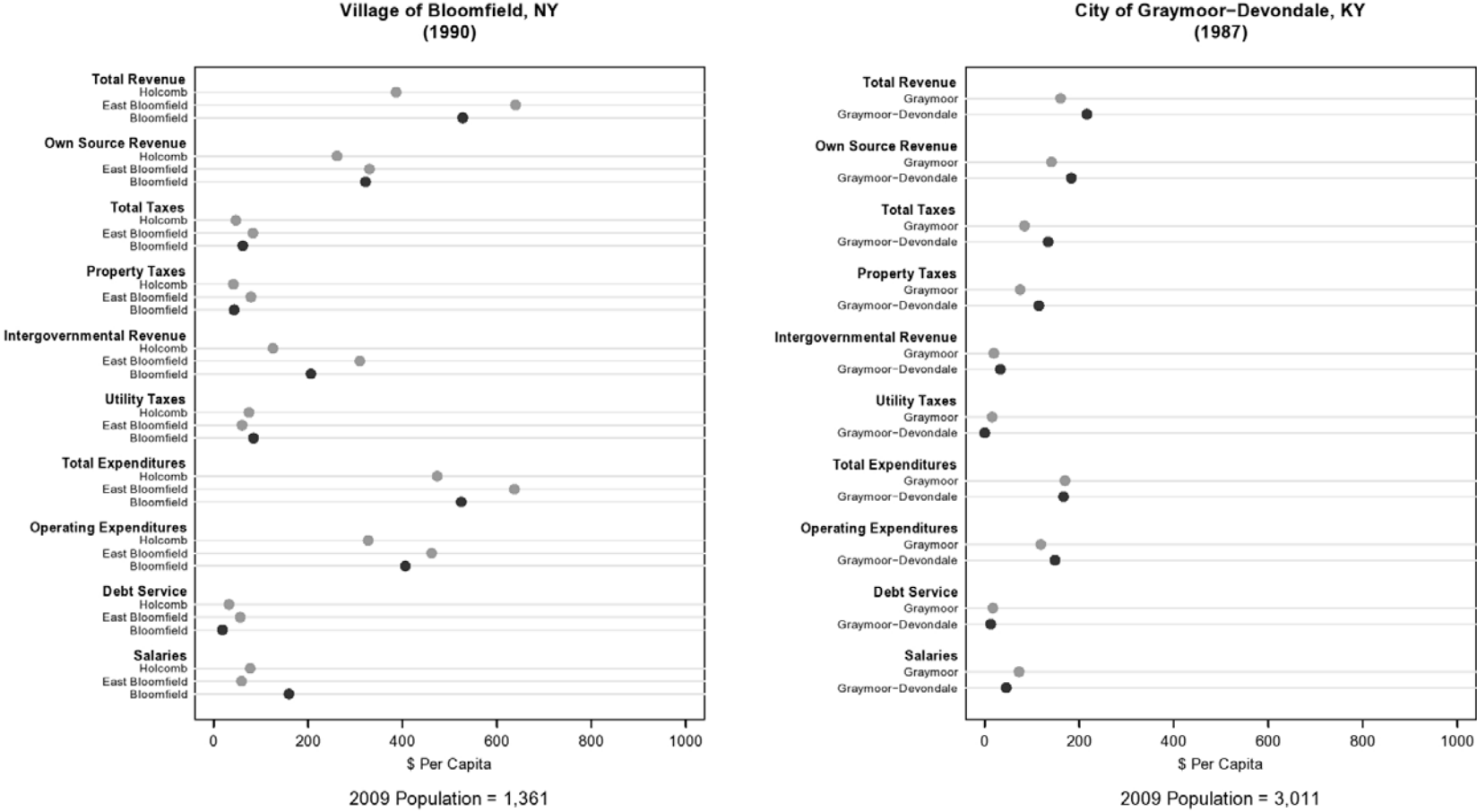


Figure 1: Consolidation’s Impact on Small Jurisdiction Finances. Light gray dots are the average levels of key financial indicators for each jurisdiction prior to consolidation. Dark gray dots are the average level for those indicators for the consolidated city. The effective date of each consolidation is in parentheses. All figures are expressed in per capita constant 2005 dollars. Data are from the US Census of Governments from 1967 through 2002 at five year intervals. We define small jurisdiction as average total revenues less than \$1000/capita.

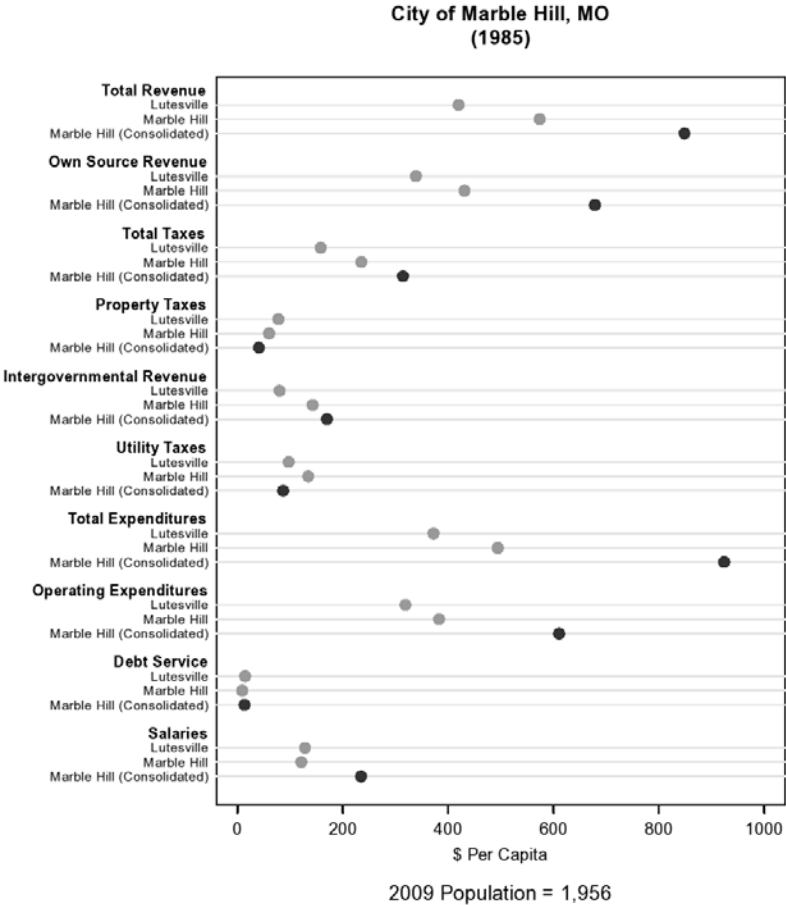


Figure 1 (cont.) Light gray dots are the average levels of key financial indicators for each jurisdiction prior to consolidation. Dark gray dots are the average level for those indicators for the consolidated city. The effective date of each consolidation is in parentheses. All figures are expressed in per capita constant 2005 dollars. Data are from the US Census of Governments from 1967 through 2002 at five year intervals. We define small jurisdiction as average total revenues less than \$1000/capita.

Tri-Cities Governance Study: Phase I

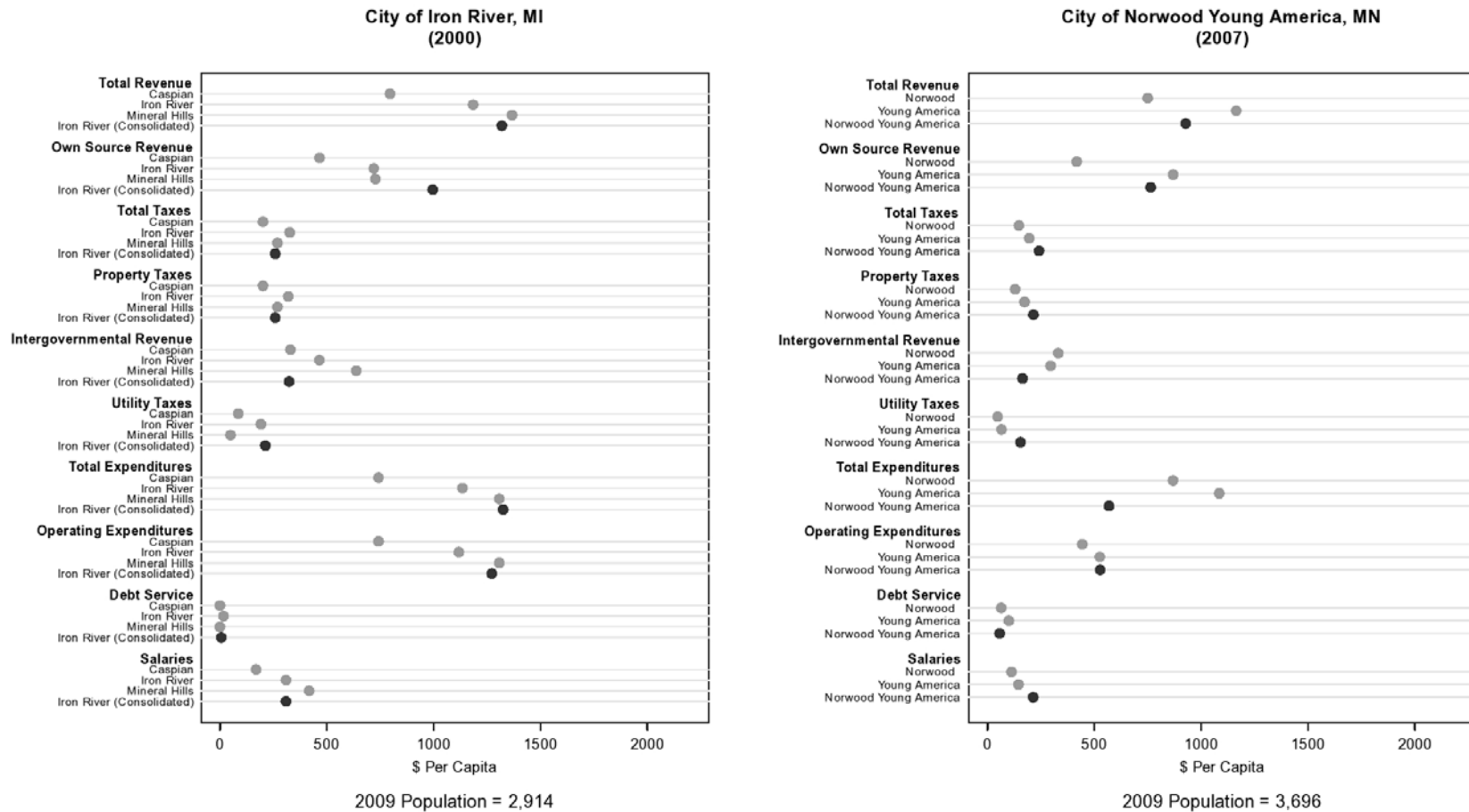


Figure 2: Consolidation's Impact on Large Jurisdiction Finances. Light gray dots are the average levels of key financial indicators for each jurisdiction prior to consolidation. Dark gray dots are the average level for those indicators for the consolidated city. The effective date of each consolidation is in parentheses. Data for Oak Island, NC and Iron River, MI are from 1972-2002 at five year intervals. Data for Norwood Young America, MN are from 1972 through 2007 at five year intervals. Data for Sacramento, CA are from 1957, 1962, and each year from 1965 through 2004. All data are from the US Census of Governments. We define large jurisdiction as average total revenues of greater than \$1000/capita.

Tri-Cities Governance Study: Phase I

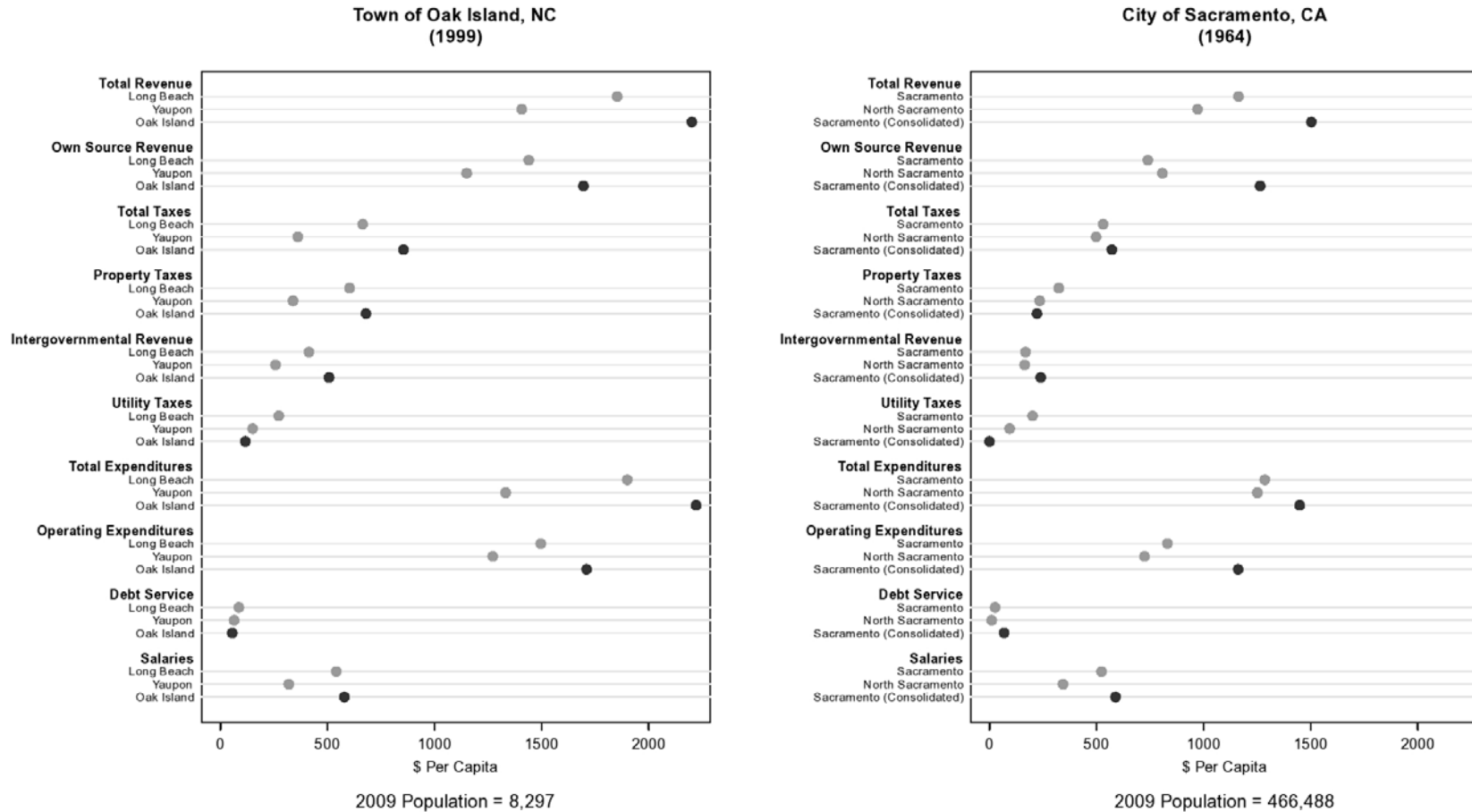


Figure 2 (cont.) Light gray dots are the average levels of key financial indicators for each jurisdiction prior to consolidation. Dark gray dots are the average level for those indicators for the consolidated city. The effective date of each consolidation is in parentheses. Data for Oak Island, NC and Iron River, MI are from 1972-2002 at five year intervals. Data for Norwood Young America, MN are from 1972 through 2007 at five year intervals. Data for Sacramento, CA are from 1957, 1962, and each year from 1965 through 2004. All data are from the US Census of Governments. We define large jurisdiction as average total revenues of greater than \$1000/capita.