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# Potential Impact of Dissolution on Village and Town of Sherman

## Evaluation of Service and Fiscal Impact

July, 2016

**Prepared for:**

Village of Sherman

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## Acknowledgements

Many thanks to the Village of Sherman, Town of Sherman and Stanley Hose Company representatives that met with CGR staff during the project. Also thanks to the Study Committee led by Chairperson Tim Sears.

## Staff Team

Spencer Gurley-Green assisted with research and Katherine Bell developed the project website.

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# Introduction

The Village of Sherman is considering the potential impact of dissolution in response to community discussion. The Board of Trustees commissioned this study to provide a high level, objective evaluation of the fiscal and service impacts of a potential dissolution. The Board of Trustees or other village residents could pursue dissolution under Article 17-A of General Municipal Law and this would trigger further study as well as the development of a detailed dissolution plan. This report does not address all details of a possible dissolution, rather it provides a general overview of service changes and realistic estimates the cost impact.

## Findings

If the Village of Sherman were to dissolve, residents would see a substantial reduction in their municipal taxes and little change in how their services are delivered. (The assumptions that support the projections are described in the individual service area discussions.) Village property owners stand to realize substantial municipal<sup>1</sup> real property tax savings of about 43 percent. Town of Sherman residents outside the Village would see their municipal property tax increase by about 18 percent despite the additional state aid to the Town through the New York State Citizen's Empowerment Tax Credit<sup>2</sup>. Although the impact on Town residents living outside the Village is significant, only Village voters are permitted to make the decision on dissolution.

If there was a dissolution in the Village, residents would see changes in who provides some of their municipal services. The Town of Sherman already provides many services to the Village residents and has the capacity to expand to provide the remaining services to the Village either directly or through special districts. The Town Board (or, in some cases, a board of residents that they appoint) would assume responsibility for items such as setting sewer and water rates, negotiating fire service contracts, and managing service level provision such as refuse, lighting and sidewalks.

Village residents would continue to pay user fees for water and sewer services. Solid waste services would still be on a fee for bag basis but would probably not be support

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<sup>1</sup> Municipal includes village, town and service districts. Municipal property taxes account for 36 % of village tax bills, county 20 % and school 44 %.

<sup>2</sup> If the CETC is not received, Village residents would see savings of 40 percent and Town residents would see an increase of about 27 percent. The CETC is tied to state aid to municipalities in state fiscal law and is currently being paid to multiple communities that have had a dissolution or merger. There is no reason to believe that the Town of Sherman would not receive the additional aid if the Village dissolved. The CETC legislation mandates that 70 % of the aid be used to reduce taxes. Our model shows 100 % being used to reduce taxes.

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through the general fund as they are now. Any Village debts would remain the responsibilities of the Village residents.

## Methodology

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

The Village engaged CGR to conduct a high level review to provide context of potential fiscal and service changes for residents to help inform any decisions that might lead to either a board initiated or petition driven vote on dissolution. This review is not intended to replace a formal planning process but provide estimates of the fiscal impacts based on reasonable assumptions of changes to services in the Village that would occur with the dissolution.

CGR reviewed the budget documents for the Village (2016-17) and Town (2016). CGR met with officials of both the Village and the Town to obtain the necessary information. CGR also worked with a committee of Village and Town residents to review findings.

To project the potential impact on the Village, CGR compared the cost of providing the services based on the budget and estimated what they would cost in the future. Each service area that the Village currently provides is described below with potential cost savings also highlighted. Other considerations such as changes in sales tax distribution and the Citizen's Empowerment Tax Credit are discussed. The projected savings are for the year after the dissolution occurs, as there would be costs associated with dissolution that are often supported by state grants.

## Tax Rate Changes

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

### Village Impact

Village property owners currently pay Town and Village taxes of \$16.80 per thousand of assessed value (AV). The Village splits its tax rate into two portions: General Fund and Fire Protection. Village residents pay a single Town Tax that includes both general and highway services.

The projected after dissolution tax rates are based on a reallocation of services as described in the model below. The prevailing theme in developing the model is that services would remain at current levels and only duplicative positions, such as mayor and clerk, would be eliminated. Following that model, the estimated new combined Town and service district property tax rate would be \$9.50 per thousand AV. If the CETC was not issued, the estimated tax rate would be \$10.10 per thousand AV.

Sherman Village Tax Comparison					
		With CETC		Without CETC	
	Current	After Dissolution	Change	After Dissolution	Change
2015 Village Tax	\$9.14	\$0.00	(\$9.14)	\$0.00	(\$9.14)
Fire Protection District	\$2.28	\$1.30	(\$0.98)	\$1.30	(\$0.98)
Light and Sidewalk District	\$0.00	\$1.20	\$1.20	\$1.20	\$1.20
Debt District	\$0.00	\$1.00	\$1.00	\$1.00	\$1.00
General Townwide	\$2.27	\$0.60	(\$1.67)	\$1.20	(\$1.07)
Highway -Townwide	\$3.11	\$5.40	\$2.29	\$5.40	\$2.29
<b>Total</b>	<b>\$16.80</b>	<b>\$9.50</b>	<b>(\$7.30)</b>	<b>\$10.10</b>	<b>(\$6.70)</b>
<i>Estimated tax rates shown in cost per thousand of assessed value.</i>					

The Census estimates that the median home value in the Village is \$61,000. The tax roll in Sherman is estimated to be 90 percent of full market value. The current estimated Town and Village tax on a median value home is \$922. After a dissolution, the estimated Town and service district tax would be \$521, a savings of \$400.

## Town Impact

Town property owners currently pay Town taxes of \$6.21 per thousand of assessed value (AV). The Town splits its tax rate into two portions General Fund (including highway) and Fire Protection.

The projected after dissolution tax rates are based on a reallocation of services as described in the model below. Under the model, the town would provide street maintenance services and clerk services to the Village. Following that model, the estimated new Town and Fire Protection property tax rate would be \$7.30 per thousand AV. If the CETC were not issued, the estimated tax rate would be \$8.20 per thousand AV.

Sherman Town Outside Village (TOV) Tax Comparison					
		With CETC		Without CETC	
	Current	After Dissolution	Change	After Dissolution	Change
Fire Protection District	\$0.83	\$1.30	\$0.47	\$1.30	\$0.47
General Townwide	\$2.27	\$0.60	(\$1.67)	\$1.50	(\$1.07)
Highway -Townwide	\$3.11	\$5.40	\$2.29	\$5.40	\$2.29
<b>Total</b>	<b>\$6.21</b>	<b>\$7.30</b>	<b>\$1.09</b>	<b>\$7.90</b>	<b>\$1.69</b>
<i>Estimated tax rates shown in cost per thousand of assessed value.</i>					

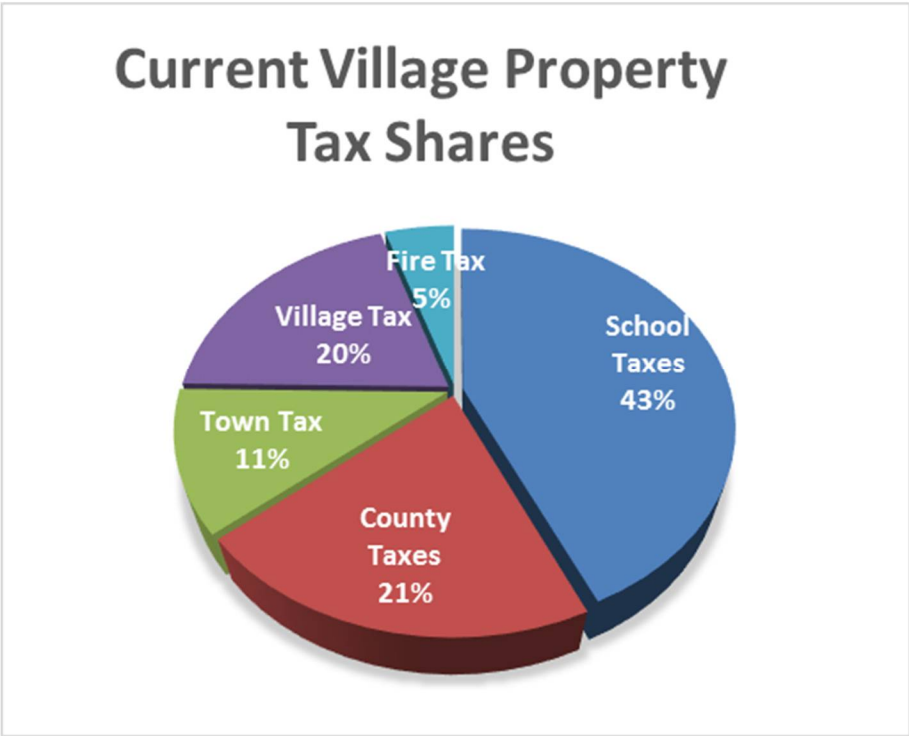
The Census estimates that the median home value in the Town is \$73,900. The tax roll in Sherman is estimated to 90 percent of full market value. The current estimated Town tax on a median value home is \$413. After a dissolution, the estimated Town and service district tax would be \$485, an increase of \$73.

**Projected Total Property Tax Rate Changes**

The total property tax rate paid by a village resident includes school taxes, county taxes, village taxes, town taxes and fire tax. A town resident has a similar tax burden, except they do not pay village taxes.

In 2016, a village resident pays a total levy of about \$46 per thousand AV. This amount would be reduced about 17 percent to \$39 per thousand based on the changes above.

A town resident pays about \$36 per thousand AV. This amount would increase about 4 percent to \$37 per thousand with the changes described.



## Village and Town Overview

The Village has about 36 percent of the residential population and 28 percent of the taxable assessed value of the Town. The Village has a lower rate of poverty, lower median home value and an older median age. The Town and Village have comparable median income, comparable rates of owner occupancy, and an almost equal share of housing units.

Community Comparison			
	Village	TOV	Whole Town
2014 Population	701	1252	1953
Median Age	36.4	n/a	28.4
% Pop. Above 65	12 %	n/a	10 %
% Pop. Below 18	31 %	n/a	38 %
Square Mileage	0.9	35.4	36.3
Median Income	\$ 39,167	n/a	\$ 42,308
Percent Pop. Below Poverty	12 %	n/a	24 %
Housing Units	300	334	634
Owner Occupied %	74	n/a	79
Median Home Value (2014)	\$ 61,100	n/a	\$ 73,900
Taxable Assessed Value, millions (2015)	\$ 16.7	\$ 42.0	\$ 58.8
Source: US Census American Community Survey 2014 5- year estimates. Note: These estimates in a community the size of Sherman may have a margin of error of about 10 percent.			

## Village Services

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

## Governance

The dissolution of the Village of Sherman will result in the transition of all aspects of municipal services and regulations to the Town.



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- Mayor – The position will be eliminated. The service will be provided by the Town Supervisor after dissolution. There will be savings from salary and contractual expense.
  - Village Board – The positions will be eliminated. The service will be provided by the Town Board after dissolution. There will be savings from salary and contractual expense.
  - Village Clerk/Treasurer - The position will be eliminated and key functions will be transferred to the Town Clerk's Office. The Town Clerk estimates that she will not need to add any personnel hours for the General Fund responsibilities and may need to add 0.25 FTE of staff time to accommodate the billing functions of water and sewer.
  - Village Laws and Ordinances- The laws and ordinances of the Village will remain in effect until acted upon by the Town Board or two years from the date of dissolution.
  - All Planning Board and Zoning Board functions would transfer to the Town.

All expenses for mayor, clerk/treasurer, trustee, attorney, planning board and zoning board would be eliminated at dissolution.

## Fire Department

The Stanley Hose Company is an independent organization that provides service to the Village and portions of several surrounding communities. The Village provides several key services to the fire department. It serves as the contracting agent for services for outside agencies/municipalities, purchases a fire engine every ten to fifteen years and pays for maintenance on the engine. The Village purchases workers compensation insurance for the fire department and sets aside money for the purchasing of the fire engine in the future. At the start of 2016, there was \$18,383 in an interest bearing account with a planned additional deposit of \$8,800 for this fiscal year. Stanley Hose conducts all day to day operations including purchasing, budgeting and election of officers. Other than the one fire engine, Stanley Hose owns all the apparatus, equipment and the building.

After dissolution, the Stanley Hose Company would need to handle its own contracting for services. The Village could give the engine to the Fire Company or the Town. The Town would need to either establish a new fire district or expand the existing fire protection district<sup>3</sup> to cover the area of the former Village. The Town

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<sup>3</sup> A fire district is a self-governing special purpose municipality with elected commissioners and the ability to establish its own tax levy. A fire protection district is a town special district that is managed by

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should continue to set aside money for the replacement of fire apparatus either as a town function or increasing the contract amount to Stanley Hose. Stanley Hose Company would need to verify the ownership of the ambulance operating certificate. If the operating certificate is owned by the Village, it would need to be transferred to the Hose Company. No cost savings were included in the impact model.

## Public Works Department

The Public Works Department for the Village is responsible for maintenance of the streets, sidewalks, streetlights, refuse pick up and the water system. The department has two full time employees and hires part time employees to assist with property maintenance in the summer. After dissolution, the Town Highway department would be responsible for these activities and would probably need both employees.

- Refuse - One key service provided to the Village that is not provided to Town residents is hauling of refuse and recycling. Village residents currently pay a minimal amount to purchase village refuse bags from either the Village clerk or a few vendors in the village. The revenue from the sales of the refuse bags is budgeted to cover 75 percent of the tipping fees for refuse, but none of the personnel service or vehicles costs are met by the refuse bag fees. It is likely after dissolution that the cost of this service will change so that non-Village residents will not subsidize the service through the General Fund. This could be accomplished either through raising the service fees or establishing a special service district. The users of this service would continue to pay for this service.
- Lighting – The Village streetlights would continue to be maintained by the utility but the expenses would be funded through a special district for the area of the former Village. The lighting district would be managed by the Town Board.
- Sidewalks – The Town would take over the maintenance of the sidewalks in the village and would charge the residents in the area served by the sidewalks for appropriate services. The charges would be levied through a sidewalk district.
- Water system – The water system would remain in operation. The employees, infrastructure and equipment would be transferred to the Town. The system would continue to be funded through user fees, although it would be managed by the Town instead of the Village. The Town would need to establish a water district for the former Village. The water system would be managed either by the Town Board or separately appointed board.

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the town board. All fire protection in the town is currently managed using a fire protection district that could be easily expanded to include the village.

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No cost savings are protected in this service area, although some efficiencies might be identified in a combined operation that would lead to cost savings.

## Sewer Department

The Sewer Department would be transferred to the Town. The Town would become responsible for billing, operating the plant, and maintaining the infrastructure. The costs associated with the plant would remain with the users of the system through a newly created sewer district. It is likely that both employees would remain in their position. The sanitary sewer system would be managed either by the Town Board or a separately appointed board.

## Crossing Guard

The crossing guard position would be transferred to the Town. The Town would become responsible for this \$2,500 a year expense.

## Yorker Museum

The Yorker Museum is on village land and parts of the grounds are maintained by the Village. On dissolution, the land and responsibility for grounds maintenance would be passed to the Town. There are no cost savings projected in this area.

## Youth Program

The youth program is partially funded by the Village, but is operated by the Town. The Village's funding comes from a state grant and may not be replaced resulting in reduction of program funding. The Town may need to increase costs to maintain the existing services.

## Code Enforcement

This would become the responsibility of the Town with an increase in the cost equal to the current Village expense. There are no cost savings projected in this area.

## Employee Benefits

The Village has four full time employees, half supported out of the General Fund and half the Sewer Fund that receive health, retirement, and other benefits. The total benefit cost in the General Fund is about \$39,000. All those expenses are modeled to move to the Town's Highway Budget in anticipation of needing to add two new full time staff members. The Water and Sewer Fund expenses would go to those districts after dissolution. There are no cost savings projected in this area.

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## Post-Employment Benefits

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

## Village Debt

The Village currently has two bonds totaling \$152,375. The General Fund debt is \$98,375 for a loader and it will be retired in ten years. Any debt that remains at dissolution will remain the responsibility of the residents of the former Village at the estimated cost of \$10,000 for principal and \$6,000 for interest. The Sewer Fund debt is \$54,000 and it will be retired in three and half years. The Sewer Fund debt will be transferred to the Sewer District.

## Assets and Fund Balance

If dissolution were to occur, all Village assets including real property, equipment and personal property would transfer ownership to the Town. Similarly, all fund balances at dissolution would transfer to the town in a similar category that they existed for the Village (i.e. Fund balances for the water fund would transfer to the Water District.)

## Sales and Other Taxes

Chautauqua County shares its sales tax with towns and villages based on a formula the accounts for population and assessed value. After dissolution, the whole share would go to the Town.

## Citizen's Empowerment Tax Credit

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

The grant comes as additional annual aid to local governments and is equal to 15% of the combined amount of real property taxes levied by all of the municipalities involved in the consolidation or dissolution, not to exceed \$1 million. By law, at least 70% of the aid shall be used as direct property tax relief while the remaining amount may be used for general municipal purposes. The estimated aid to the Town would be \$76,000 based on 2016 and 2016-17 tax levies. This aid would be received the year after the dissolution took effect.

## Next Steps

This study was not conducted through a formal dissolution process. However, there is citizen interest in the process of dissolution. The process of dissolution is governed by Article 17-A of General Municipal Law. The Village Board may choose to undertake a board initiated dissolution study, a group of citizens could choose to move the process forward by submitting a petition forcing a referendum on dissolution or no action could be taken.

There are funds available through the New York Department of State's Citizens Reorganization Empowerment Grant to support both a board initiated study or to respond to a citizen petition.

# Appendix – Demographic Trend Summary

## Population

The village's population rose slightly from 2000 to 2010, then fell by 4% from 2010 to 2014. This drop is within the margin of error of the 2014 survey and should be used with caution. This is in contrast to steady increases in the town (more than 18% growth from 2010 to 2014). The county as a whole has been losing population faster than the village.

## Age

The village's median age was slightly lower in 2014 than in 2000, in contrast to the town, whose median age fell significantly from 2000 to 2014. In 2014, the median village resident was 8 years older than the median town resident. The county's median age rose steadily from 2000 and is now almost 5 years above that of the village.

## Income

In 2014, median household income was higher in the town and county (both around \$42,500) than in the village (just over \$39,000). This is in contrast to both 2000 and 2010, where the village and town had similar median incomes below the county as a whole.

## Home Value

Median home value in the County was consistently higher than the town, which in turn was consistently higher than the village. In 2014, the county's home value was more than \$10,000 above the town, which in turn was more than \$10,000 above the village.

Demographic Summary

	2000	2010	2014
<b>Population</b>			
<b>Town</b>	1,553	1,653	1,953
<b>Village</b>	714	730	701
<b>County</b>	139,750	134,905	133,556
<b>Median Age</b>			
<b>Town</b>	32.8	32.4	28.4
<b>Village</b>	37.1	35	36.4
<b>County</b>	37.9	40.9	41.2
<b>Median HH Income</b>			
<b>Town</b>	\$32,969	\$34,674	\$42,308
<b>Village</b>	\$29,583	\$34,118	\$39,167
<b>County</b>	\$33,271	\$40,639	\$42,720
<b>Median HH Value<sup>4</sup></b>			
<b>Town</b>	\$52,100	\$70,800	\$73,900
<b>Village</b>	\$46,900	\$58,600	\$61,600
<b>County</b>	\$62,700	\$79,600	\$84,100

<sup>4</sup> 2000 is owner-occupied only, i.e. can only compare across geographies and not temporally