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A Preliminary Assessment of the Fiscal and Service Impact of Dissolution Village of Cherry Creek, NY

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Prepared for:

Village of Cherry Creek

Prepared by:

Kent Gardner, Ph.D.

Project Director



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1 South Washington Street, Suite 400, Rochester, New York 14614
(585) 325-6360 • info@cgr.org

www.cgr.org

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Introduction

The *New N.Y. Government Reorganization and Citizen Empowerment Act*^{*} granted voters the right to call for a referendum on the consolidation of local government. A petition signed by at least 10% of the number voting in the previous general election is all it takes to prompt the referendum.

The Village of Cherry Creek's elected leadership received a valid petition in November, 2016 and, in keeping with the law, scheduled the referendum for February 2, 2017. The ballot will read:

<p>Shall the Village of Cherry Creek be consolidated with the Town of Cherry Creek?</p> <p>YES _____</p> <p>NO _____</p>

What happens next?

If a majority of voters say "NO," then the matter is settled for a period of four years. No new petitions can be submitted.

If, however, a majority of the voters support the question, then the village board has six months to develop a plan to dissolve, including a timetable for the dissolution.[†] After required public hearings, the village board must approve a final plan.

The voters then get another chance to vote on the specifics of the plan, if they choose. This second referendum can be prompted through a second petition, guided by the same rules as the first. The question posed at this referendum would read as follows:

<p>The voters of the Village of Cherry Creek previously voted to consolidate with the Town of Cherry Creek. Shall the elector- initiated consolidation plan take effect?</p> <p>YES _____</p> <p>NO _____</p>
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If a majority votes YES, the consolidation goes forward as described in the plan.

^{*} General Municipal Law Article 17A, passed in March 2010.

[†] See <https://www.dos.ny.gov/lg/publications/ConsolidationDissolutionLaw.pdf> for a more detailed description.

This report

The Center for Governmental Research (CGR) was engaged by the Village of Cherry Creek (with financial support from New York State) to undertake a preliminary study of the effects of dissolution. The report identifies the decisions that will be put before the Village Board if it is asked by the voters to prepare a dissolution plan and explores the financial consequences of the probable alternatives.

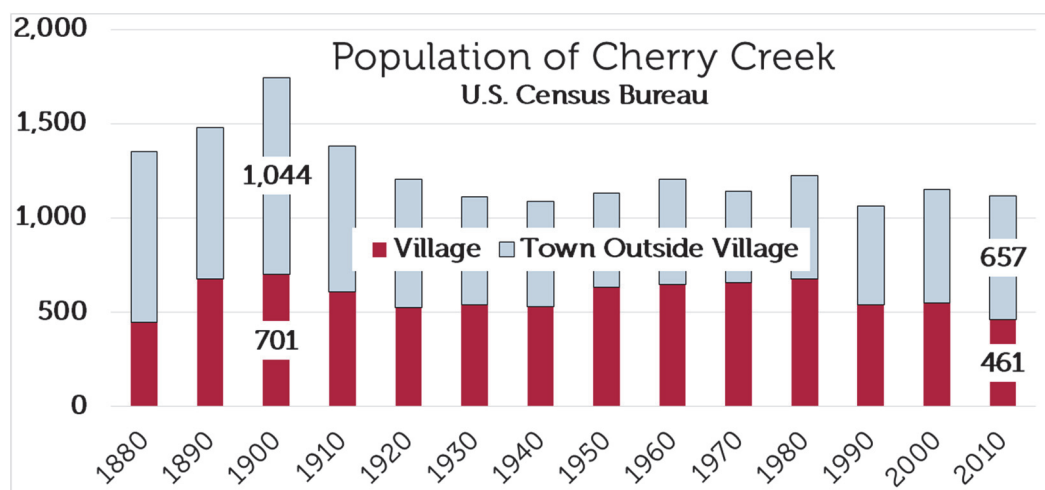
The purpose of the report is to inform village residents of what is possible if the dissolution goes forward. The actual dissolution plan, while it will likely be similar to the plan outlined here, will be broadly publicized and discussed prior to Village Board adoption. The law only provides for a 90 day window between the date that the petition is certified and the vote occurs, which is too little time for extensive public discussion.

A Cherry Creek Profile

History

The Town of Cherry Creek, then part of the Town of Ellington, saw its first European settler in 1815. Residents of the community successfully split from Ellington in 1829, with the first town meeting held in 1830. The Village of Cherry Creek was incorporated in 1893.

By 1900, the population reached its peak, 1,745 residents. Favored by reliable water power and served by the Buffalo South Western Railroad, many manufacturers supported local employment, most notably the Cherry Creek Canning Company which reported the sale of a million cans of vegetables and fruit. Other firms produced



lumber, specialized packaging, barrels for the apple trade, charcoal, and cheese. The community was also home to a flour mill and a foundry.

The central business district contained several hotels, a bank, three churches and other retail and service establishments.

Recent Trends

Although the town's population has been relatively stable since 1930, the village has lost about a third of its residents since 1980. Few businesses remain; most of the residents work outside the community—85%, according to the 2011-15 Census estimate. More than half (53%) report one way travel to work of 30 minutes or more.

In 2011-15, median household income of \$40,000 was lower than either the town as a whole or the county (see table following)). This is in contrast to both 2000 and 2010, when the village, town and county had similar median incomes.

Likely reflecting the loss in population, median home value in the Village of Cherry Creek is substantially below that of the town or Chautauqua County.

	2000	2011-15
Median Household Income		
Townwide	\$36,146	\$50,395
Village	\$31,528	\$40,000
County	\$33,458	\$42,993
Median Home Value		
Townwide	\$52,200	\$79,800
Village	\$42,400	\$61,500
County	\$62,700	\$84,500
People in Poverty		
Townwide	14%	10%
Village	18%	18%
County	14%	19%
Statewide	15%	16%
Rest of State	10%	16%

Services in Cherry Creek Village

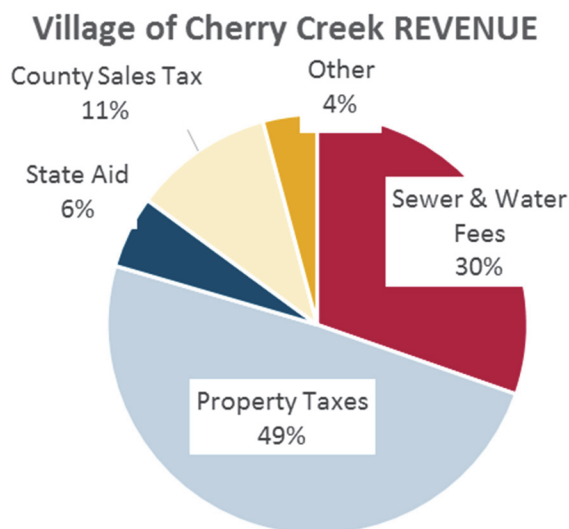
Why do villages exist?

Every property in New York State is part of a county and either a city or a town (even in New York City, as each of its five boroughs is technically a county).

A village is different as it can be established (or dissolved) by local initiative. Only properties within towns can become part of a village. A village cannot be formed within a city. Properties within a village do not cease to be part of the town—the residents are considered part of both the village AND the town, just as they live both in the county and in the state.

Traditionally, a group of property owners will choose to establish a village for the purpose of providing an additional level of public service that is not available from the surrounding town. A cluster of homes may choose to jointly develop a water or sewer system, for example, a service not needed in the more rural town. Other villages form for the purpose of establishing a local police department.

The size, service level and service configuration of villages varies dramatically in New York State. Some small villages may appear similar to a business improvement district, where properties agree to tax themselves to provide a very limited set of additional services. Other villages are quite large and provide all of the services available in the state's larger cities. The Village of Hempstead in Nassau County had 54,000 residents in 2010.



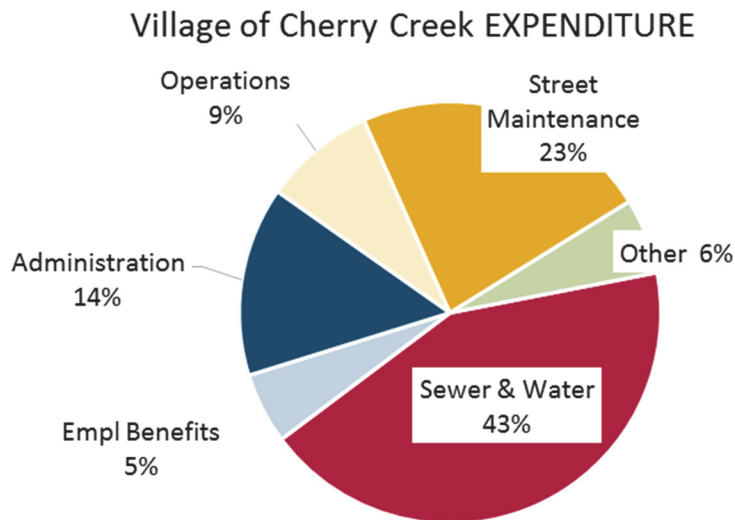
There were 555 villages in New York State as of 2010. Four villages dissolved at the end of 2011 with several others, including neighboring Forestville, dissolving at the end of 2015 and 2016. A bid to dissolve nearby Sherman failed by two votes in a recent referendum.

Where does the money come from?

Village government is supported by tax revenue from residents and fees

for services. The largest portion—about \$200,000 in 2015-16—came from the property tax.

Where does it go?



Most of the revenue coming to the Village of Cherry Creek pays for basic services provided by Village employees: Water, sewer, refuse collection, lighting and sidewalk plowing and maintenance. Although a portion of the village revenue pays for street maintenance—plowing and repair—the work is actually done by the Town of Cherry Creek under agreements with the Village.

Tax revenue also pays for general administration—the small stipends received by the Mayor and members of the Village Board, and the work of the Clerk/Treasurer.

How will services be provided if the Village dissolves?

Villages are typically formed to provide special services to the homes that make up the village. Water and sewer services are a good example. Scattered rural dwellings in the Town of Cherry Creek can rely on septic systems and wells. A cluster of homes need sewer and water.

When the village dissolves, the need for these “clustered” services doesn’t go away. But it wouldn’t be fair for all town residents to pay for services that benefit only the homes formerly in the village. The solution is the creation of “special districts” that are under the control of the town but are paid for by the homes within the district.

After the village dissolves, the Town of Cherry Creek will need to form special districts to provide water, sewer, lighting, and sidewalk plowing and maintenance services. Depending on the will of the village residents, it could also create a refuse district. Although it sounds complicated, the districts are formed to make sure that the cost of the services are charged to the residents that benefit. It is the town’s responsibility to

manage special district operations on a regular basis. Special districts are not an additional level of government—they are just a way to charge residents for services used by only a subset of town residents.

The “footprint” of each district would be different. As an example, the village provides water to a small number of properties located just outside the village boundary. Moreover, some parts of the village are not connected to the water system. The district boundary is designed around the users.

Only a portion of the village is connected to the sewer system, too. So only those properties within the sewer system’s service area will be in the sewer district. The same principle applies to the lighting district.

Are town taxpayers responsible for village debt?

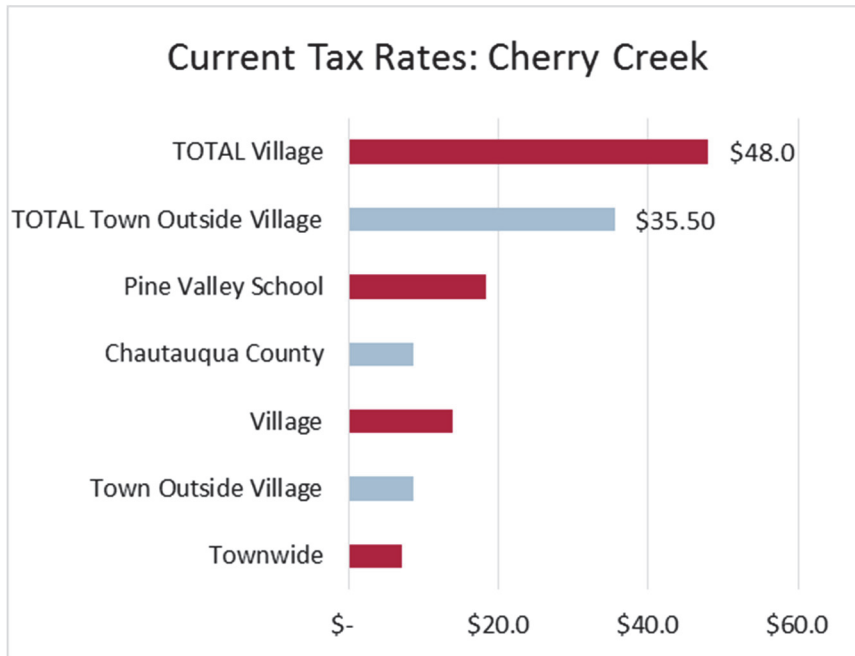
No. When a village dissolves, the town effectively “inherits” its responsibilities and its assets. **It does not, however, inherit the village’s liabilities.** NYS law requires that debts incurred by village property owners remain their responsibility.

In the case of Cherry Creek, the only debts remaining at the end of this fiscal year will be those associated with the water and sewer systems. The cost of paying down these debts is charged against the properties in each of the districts.

Will Dissolving Lower Taxes?

The “day one” savings from dissolution will be small. The total cost of the Mayor and Village Board is less than \$8,000. Other miscellaneous administrative costs will also fall, e.g legal expenses and insurance. There could be savings in the Public Works area over time, too, although the Town of Cherry Creek already does most of this work so the gains will be small.

Property tax rates



The tax rate paid by village property owners is \$48 per \$1,000 of assessed property value. The rate charged is the sum of the village, town, county and school taxes. The school and county taxes are the same in the village and the town. The property tax supporting village services is \$13.89, about \$850 per year for the median valued home.

Village residents pay a lower tax to the town than do those who live in the town

but outside the village. The difference in the Village and town Town's highway budget is divided into two parts. A portion of the cost of highway services is charged to the entire town and a portion is only charged to properties located outside the village. **The current townwide rate is \$7.18 per \$1000 of assessed property value**, about \$440 per year for the median-valued home. The rate outside the village is \$8.59.

Citizens Empowerment Tax Credit

New York State encourages municipalities to merge by providing an ongoing tax credit equal to 15% of the combined property tax levy of the merging communities. In the case of the village and town of Cherry Creek, this totals about \$96,000. This credit will be paid to the Town of Cherry Creek every year in the future, until such time as the NYS Legislature changes the law.

CGR estimates that the impact on the town tax rate will be to reduce it from a townwide rate of \$7.18 per thousand dollars of assessed value to just over \$6 per thousand. For village residents with a home valued at the \$61,500 median, the savings in town taxes would be about \$70 per year. The village tax rate would fall to zero for savings of over \$900 per year.

Water & Sewer Rates

Water and sewer rates will rise, regardless of dissolution. The costly reconstruction of the water system—forced by New York State—has not been fully incorporated into the water rates. Moreover, neither the water system nor the sewer system have been putting money aside for major repairs. The charge per user has been about \$336 per year. It may rise to as high as \$500 per year per user.

Other Services

The cost of other continuing services will also be charged to village properties—these include the cost of street lighting (\$7,600), sidewalk plowing and maintenance (was \$2,700 in 2014), and refuse (the net cost was about \$6,000 after subtracting the revenue from the sale of stickers).

Short Term Debt

The village properties are still liable for \$20,000 in debt remaining from the purchase of a highway truck. These payments will end by 2019.

Conclusion

The dissolution of the Village of Cherry Creek would not mean the end of the community. The village government would cease to exist, passing its responsibilities to the Town of Cherry Creek. The village would become a “hamlet”—a recognized cluster of homes but without separately incorporated government.

Residents would lose the right to pass laws that would affect only village properties. With the exception of special districts, town laws must affect all town properties. Code enforcement, planning and zoning and other similar activities of the Village would become integrated with the policies of the Town of Cherry Creek. Although residents would continue to vote for the Town Board and Town Supervisor, there would no longer be a Village Mayor or Village Board.

The community identity would continue both as the Town of Cherry Creek and the Hamlet of Cherry Creek.

On balance, village taxpayers would see a reduction in total spending on local government services. The Citizens Empowerment Tax Credit would certainly reduce the town tax rate.

The cost of some services now provided through the village property tax rate would shift to properties included in various special districts. Special district charges for sewer, lighting, refuse and sidewalk maintenance would reduce tax savings from dissolution. At this point it is difficult to estimate what the net savings would total. Savings would vary depending on the location of an individual property based on the boundaries of the special districts.

As some water expenses now covered by the village property tax would remain with water users, however, all can expect water rates to rise, perhaps as much as 50%.

Village properties would also be taxed to complete payments on the highway truck acquired a few years ago.