

Members

Sen. R. Michael Young, Chairperson
Sen. Billie Breaux
Rep. James Buck
Rep. Ed Mahern
Dan Gammon
Paul Ricketts
Rick Snyder
Vince Huber
Joe Anderson
Tom Hanify
Dr. Philip Borst
Monroe Gray
Cathy Burton
John S. Myrland
A. Scott Chinn



MARION COUNTY CONSOLIDATION STUDY COMMISSION

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MEETING MINUTES¹

Meeting Date: August 10, 2005
Meeting Time: 10:00 A.M.
Meeting Place: State House, 200 W. Washington St.,
House Chambers
Meeting City: Indianapolis, Indiana
Meeting Number: 1

Members Present: Sen. R. Michael Young, Chairperson; Sen. Billie Breaux; Rep. James Buck; Rep. Ed Mahern; Dan Gammon; Paul Ricketts; Vince Huber; Joe Anderson; Tom Hanify; Dr. Philip Borst; Monroe Gray; John S. Myrland; A. Scott Chinn.

Members Absent: Rick Snyder; Cathy Burton.

The meeting was called to order at 10:10 a.m. After members of the Commission introduced themselves, Sen. Young announced changes to the meeting agenda. He stated that Mayor Bart Peterson was in Washington D.C. regarding the military base closure issue and could not address the Commission. He also indicated that in addition to the speakers speaking today on behalf of the City's position on Indianapolis Works, Dr. Samuel Staley would be addressing the Commission. Sen. Young stated that the

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Commission would not receive public testimony, but Commission members could question the witnesses. The Commission received the following testimony:

Steve Campbell, Deputy Mayor for Public and Neighborhood Affairs, provided the Commission with an overview of the Indianapolis Works Plan (IWP) and the actions taken by the city since SEA 307 took effect:

IWP's goal is to provide taxpayers with a smarter, simplified, modern, and unified government that delivers the best service at the best price.

The idea of consolidating the police and fire departments was first discussed in 1968 as a part of the city and county government consolidation.

Indianapolis and Marion County are experiencing the same modern fiscal problems that cities across the nation are experiencing:

unfunded fire/police pension obligations

a greater percentage of nontaxable property in the city center that is used to provide services to people throughout the state

a shift of population from the city to the county, exacerbating the county's budget problems.

The Mayor has announced \$30 million in budget cuts, reducing the number of fire fighters, police, park services, and street sweeping. Sound fiscal management is not enough to solve the city's fiscal problems.

The IWP would reduce the budget by \$35 million, put more police patrols in the county while retaining the same number of city patrols, and provide better fire service county wide. The IWP is an opportunity for the city-county to be the engine of change for the state, to compete, and to be more efficient.

Senator Young questioned a statement made by Mayor Peterson that the city would have realized a savings of \$35 million if the General Assembly had passed IWP, since the savings due to township consolidation wouldn't have occurred until 2007. Mr. Campbell stated that the consolidation of township government would have taken effect in January of 2006. He stated however, that the largest savings (\$27 million) would result from the fire department consolidation. Sen. Young pointed out that the city said that reorganizing the auditor's office and the office of finance and management would have saved the city \$900,000. However, the auditor's 2006 budget was reduced by only \$140,000 and the office of finance and management's budget increased by 4.3%. Sen. Young questioned the accuracy of other savings figures for the IWP. Mr. Campbell responded that there was more than just a savings purpose behind the reorganization of the auditor's office and the office of finance and management, there was also a government efficiency purpose. He also pointed out that the reorganization of these offices that passed in SEA 307 is not the same as the reorganization plan that was proposed by the city in the original IWP. In response to questions from Commission members, Mr. Campbell made the following comments:

The police/sheriff consolidation is currently moving through the city-county council. Since the police/sheriff consolidation provisions of SEA 307 are not the same as the city's original IWP, the city has had to start from the beginning in getting it implemented. The city anticipates that the consolidation will be voted on by the end

of this year.

The city looks approximately five to seven years into the future in preparing its budget.

The consolidation of fiscal management in SEA 307 solved several problems. Before SEA 307, the county auditor had the impossible task of putting together the budgets of separately elected officials who are not responsible to the auditor. In addition, there was competition between city and county budgets and no one knew who had authority over the two budgets and could implement fiscal management.

In preparing the IWP, the city looked at several cities from a structural standpoint (Louisville, Jacksonville, Charlotte) and several cities from an economic standpoint (Indianapolis, Austin, Seattle, St. Louis, Phoenix).

Indianapolis will fall behind from a competitive standpoint if changes aren't made. Currently there are many different taxing districts, which makes it difficult for businesses to determine who is accountable.

Mr. Campbell stated that he would provide the Commission with the names and authors of academic studies regarding the effects of consolidation that the city relied upon in formulating IWP. Sen. Young cited studies that indicated the consolidation of government was not recommended and that overall the economies of scale for labor intensive operations will not save money but will increase costs. Sen. Young asked Mr. Campbell if he had examined the policy brief prepared by the Allegheny Institute which concluded that consolidation did not have a positive effect on Louisville's economy. Mr. Campbell responded that Indianapolis can do it better than Louisville can. In response to questions by Commission members, Mr. Campbell made the following additional comments:

The Deferred Retirement Option Plan (DROP) would eliminate 113 firefighters through retirement rather than layoffs. Some reduction of personnel and the resulting savings has already occurred.

The Louisville consolidation did not involve a consolidation of fire departments.

Vince Huber pointed out that the IWP eliminates the need for the sheriff to hire 250 more deputies. He expressed concern that Indianapolis Police Department (IPD) officers will be transferred out of the city and into the county, although IPD already has a shortage of officers for city runs. He reported that a Louisville Fraternal Order of Police (FOP) representative stated that police officers were transferred out of Louisville into the county when Louisville consolidated its police department. Eventually Louisville had to transfer the officers back to the city. Mr. Huber asked for a commitment from the city that IPD officers would not be transferred from the city. Mr. Campbell responded that the city is looking to IPD and the Sheriff to determine the patrol areas and that he does not have the authority to guarantee that officers will not be transferred from the city. Dr. Borst asked Sen. Young how the Commission can get their questions answered. Sen. Young responded that they should submit their questions to LSA Staff Attorney Anne Haley and the questions would be submitted to the Mayor to be answered by the next meeting. Mr. Campbell affirmed that the questions would be answered by the next meeting. Monroe Gray stated that the city county council would make a decision regarding the police consolidation by the next council meeting, not by the end of the year.

Sam Staley, Ph.D., Director of Urban and Land Use Policy, Reason

Foundation, made a written summary of his remarks available to the Commission. See Exhibit 1. Dr. Staley indicated that he researches consolidations from an academic perspective. He explained that academic research is quantitative with a peer review process. Dr. Staley made the following remarks:

Research indicates there is a broad-based skepticism about consolidation, finding that consolidation results in very little savings. The down side to consolidation is higher cost, less productivity, and higher tax rates.

Consolidation redistributes wealth from the county to the city.

Louisville has not experienced an increase in economic development due to consolidation.

Virtually none of the cities consolidated experienced savings due to consolidation.

Consolidation works in the private sector but not in the public sector because governments do not have competitive pressures to keep costs low.

There needs to be performance based criteria for determining if savings occur and incentives for those within government to create savings.

The Commission should not just look at cities that have consolidated, but also cities that are geographically large (like Phoenix). They should look at how these cities provide services and distribute revenue.

There are no significant economic efficiencies in labor intensive services provided by units of government. The best efficiencies occur at a smaller scale and the economies of scale begin to flatten out at a population of 25,000 for some services or some other number for other services.

To realize efficiencies, you need to break down the division or the department. Fragmenting government allows competition between units of government that keeps costs down.

Research is scarce on why people migrate out of a city center. However, polling reveals that residents of smaller cities feel more connected to city government.

Sen. Breaux stated that Indianapolis and Marion County has already consolidated its government, all the IWP does is refine and improve it. She stated that the purpose of the IWP is not to increase government, but make it smaller by bringing these units closer and making them more accessible. Dr. Staley stated that a large part of the consolidation has still not occurred and that there may not be any additional efficiencies to be realized. In addition, it may be beneficial to rethink how some services are provided now. Scott Chinn asked whether Indianapolis and Marion County are better off as a result of Unigov, from the standpoint of taxpayers and business. Dr. Staley stated that he has not reviewed enough Indianapolis data to make that conclusion, however he has looked at academic research that includes Indianapolis and it makes one skeptical. Dr. Staley said that in order to make this determination, comparable tax rates, business and private investment, and size of city bureaucracy are indicators. Mr. Chinn stated that cities all over the country are laying off police, fire fighters, and city workers due to fiscal crises. Officials can do three things: increase taxes, reduce services, and find efficiencies. Mr. Chinn asked whether the third choice is the approach that the IWP takes. Dr. Staley responded that the rhetoric of IWP is in the third choice, but the reality of the IWP is the first choice--grabbing revenue

from the county. Mr. Chinn asked if Indianapolis was achieving efficiency because labor and management have agreed on the number of fire fighters to be eliminated. Dr. Staley responded that the proper question is whether consolidation is necessary to achieve those efficiencies. Typically the highest profile positions are the ones that are cut first in order to galvanize public opinion. Mr. Chinn stated that the city has made over \$50 million in less high profile cuts in 2002 and 2003. Mr. Chinn also remarked that Indianapolis has been consolidated for 35 years and that the city is sold on its large volunteer base. In response to questions by Commission members, Dr. Staley made the following points about the fire consolidation issue:

Fire consolidation is a long term reform. Research shows that these efficiencies do not continue to occur over time. If it can be shown that efficiencies have occurred over time in other areas of Indianapolis over 35 years of consolidation, it would be an indicator of whether it could occur in other areas.

The number of fire departments involved in the consolidation doesn't matter, what matters is the competitive atmosphere.

Reduction of number of fire fighters does not necessarily mean a more efficient department. Measures of efficiency are needed that go beyond the number of employees. Delivering firefighters to the scene of an emergency at the same or higher percentage would be a proper measure.

Reducing the number of firefighters will create savings. Reducing the number of attorneys, staff, payroll clerks and other administrative staff may create savings depending on the department and how it is structured.

Sen. Young stated that one charge of the Commission is to gather information. He stated that the Commission has a \$45,000 appropriation to hire academics to look at research. At the next meeting the Commission will decide the questions to be answered and the appropriate person to answer these questions. In response to questions from Commission members, Dr. Staley made the following comments:

State law should enable local units to create these efficiencies through interdistrict agreements. Many times artificial boundaries created by state statute prevent local units from working together to create efficiencies.

The issue is what services should be provided at the regional level and what services should be provided at the local level. Transportation works well at a regional level while zoning works well at a local level.

Studies make long range projections of 5 to 10 years. In analyzing past savings, academics look long term, and at measurable substantive changes. The research is constrained by the availability of the data.

Rep. Buck discussed a study of Nova Scotia that indicated that smaller municipalities spend less than larger cities and a study that suggests that larger cities are tending to decentralize.

Barbara Lawrence, Executive Director, Indianapolis Local Public Improvement Bond Bank, and former City Controller, stated that she was appearing on behalf of the current Indianapolis Controller Bob Clifford. Ms. Lawrence made the following points:

The city and county face a fiscal crisis caused by:

police and fire pension problems

sewer overflows

county jail overcrowding and juvenile incarceration

property tax reassessment.

All levels of city-county government are vying for the same resources.

There are 69 different tax rates.

Before raising tax rates, the city has to take steps to reduce waste and improve efficiency. The city has decreased its budget for the last three years.

IWP is about savings, efficiency, and providing better services to taxpayers.

The police/sheriff consolidation and the fiscal administration consolidation are in the process of being implemented.

Fire consolidation provides the greatest savings (over \$20 million annually). There are inefficiencies with having 13 independent fire departments in the county including overlapping personnel and services.

If the firefighting function is taken away from townships, the primary focus of the township becomes poor relief. Under the IWP all other township services are transferred from the township to other departments and the number of trustees is reduced from nine to two. Community neighborhood service centers would deliver poor relief at the local level.

The IWP centralizes the administration of the township courts by making them a division of the Marion county courts.

Township assessing functions are transferred to the county assessor.

The IWP provides that the debts of the consolidated entities are assumed by the larger entity. Under SEA 307, the debts regarding fire protection remain with the entities.

Sen. Young stated that although the IWP indicated savings as a result of the transfer of functions from the auditor to the office of finance and management (the city controller's office), the controller's budget has increased 4.3%. Ms. Lawrence responded that there has been an across the board increase in personnel costs (primarily health care costs) of 12%. The budget reduces the staff of both the auditor's office and the controller's office, reduces the budget of the auditor's office, and makes a corresponding increase in the controller's office budget to account for the positions transferred from the auditor's office to the controller's office. She added that the version of the IWP that was adopted in SEA 307 is not the same as the city's original proposal. Sen. Young asked if they looked at academic reports regarding other communities in preparing the IWP. Ms. Lawrence said that they mostly looked at the original Unigov legislation, but did look at studies of other communities. Ms. Lawrence said they would provide the Commission with those studies.

Dan Gammon made the following points:

More responsibility for township trustees rather than township administrators.

Township boards should handle zoning.

Trustees should do local intake work for welfare then pass it on to the county agency.

Many poor relief recipients do not have transportation, so local access for poor relief services is necessary.

Paul Ricketts stated that the cities that Indianapolis studied in formulating the IWP with regard to township assessment are too diverse for comparison to Indianapolis. The townships want the power to do at least permitting for zoning. In response to a question from Dr. Borst, Ms. Lawrence stated that she didn't know how many tax rates there would be after consolidation because there are many decisions that would need to be made as to how to reduce tax rates. Dr. Borst suggested that the city look at Indianapolis and Marion County's consolidation of superior and municipal courts which resulted in a budget increase of \$2 million. Vince Huber requested that a judge speak to the Commission about court consolidation. Joe Anderson said that under mutual aid agreements between fire departments, departments send equipment to the closest location. In some cases people who live right across the street from each other but in different units have two different tax rates although they are receiving the same service. Scott Chinn requested a report that explains the consolidation of the fiscal administration. Sen. Young suggested that both the mayor and the city controller address the Commission at the next meeting to answer any questions.

Gary Malone, H.J. Umbaugh & Associates, addressed the Commission about the methodology behind the IWP savings estimates. Mr. Malone submitted a report to the Commission that discusses the savings methodology. See Exhibit 2. Mr. Malone explained that the savings methodology was based upon an analysis of available public information over the past three years and that it incorporates assumptions about the impact of consolidation that were provided by the city. Dan Gammon indicated that the pension obligations are imbedded in the figures for the township firefighter personnel while they are not imbedded in the IFD figures. Senator Young indicated that at a later meeting the Commission will receive testimony from those who may disagree with the figures.

William Sheldrake, President, Policy Analytics LLC, explained that he was asked by Mayor Bart Peterson to examine the controller's assumptions and methodology in determining the IWP savings estimates. Mr. Sheldrake provided the Commission with a memorandum detailing the cost savings from the fire consolidation. See Exhibit 3. Mr. Sheldrake made the following comments:

The IWP is based on publicly audited financials, which are a reliable foundation.

The IWP is detailed in scope and factual.

The IWP is reasonable in its extent. A 5% budget reduction is considered reasonable and the IWP proposes a 3.9% reduction.

Louis Dezelan, Special Assistant to the Director of Public Safety and former Chief of the Indianapolis Fire Department, made the following comments:

The IWP will consolidate ten fire departments, close four fire stations, and save \$20.8 million annually.

The IWP will reduce the number of chiefs, deputy chiefs, assistant chiefs, and administrative staff.

The IWP will permit joint purchases of fire apparatus.

The IWP will result in consolidation of personal services contracts and liability insurance.

The DROP plan will reduce the firefighting force by attrition, not by layoffs.

A consolidated fire department will provide better service by complying with the National Fire Protection Association 1710 deployment standard regarding response times and staffing.

Inspectible buildings will be inspected every two years or every year.

The department will be able to clear arson cases.

The transfer policy for firefighters will be voluntary and open.

There won't be vehicle transfers between fire stations.

All property of the township departments will be transferred to IFD.

There will be no volunteer firefighters in the consolidated department.

All maintenance workers will be under the supervision of certified personnel.

Ambulances will be staffed by civilians.

Mike Reeves, President, Indianapolis Metropolitan Professional Fire Fighter's Union Local 416, reviewed for the Commission the Fire Consolidation Staffing Committee Report prepared by IMPFA Local 416. See Exhibit 4. Mr. Reeves made the following comments:

\$1.7 million in savings would occur after the consolidation by not paying Social Security for firefighters of the consolidated department. (Currently, the city does not pay Social Security for IFD firefighters).

The IMPFA staffing committee recommends the elimination of 188 positions by attrition.

PERF members will have the 3% paid by the employer.

A firefighter consolidated into IFD will become a merit firefighter under the IFD merit system. All firefighters will maintain their rank, subject to the agreement of the Mayor.

All firefighters (except for the airport authority firefighters) will be members of the 1977 pension fund.

Civilian employees will perform code enforcement.

Senator Young asked for information to be presented to the Commission at the August 31 meeting concerning the provision of ambulance services after the consolidation. In response to a question from Dr. Borst, Mr. Dezelan said that Palm Beach and Toronto are two other cities that have consolidated their fire department. Mr. Dezelan explained that these cities faced obstacles that Marion County does not face, such as lack of a common communication system. Mr. Dezelan said that he would provide the Commission with information regarding these other cities. Senator Young stated that the findings of a study of the Miami-Dade fire consolidation indicated that their costs increased after consolidation.

Susannah Wilson Overholt, Indianapolis Works Transition Director, City of Indianapolis, made the following comments:

The fire consolidation savings under the IWP would have occurred January 1, 2006 and resulted in savings of \$30.2 million.

The township consolidation savings of \$5.5 million would have occurred January 1, 2007.

Other cities that have consolidated (such as Charlotte, North Carolina), appear to be thriving.

Under the IWP, the city assumes the township debt, while under SEA 307, townships retain the debt.

The IFD has already reduced by 47 firefighters. IFD can't operate with 113 less firefighters or it would jeopardize safety.

HB 1435 did not require the city and airport authority to approve the consolidation of the airport authority into IFD. The approval requirement was added by SEA 307.

SEA 307 does not specify how many employees will be transferred from the auditor's office to the controller's office

In the materials that the city provided to the commission are letters from the mayor to Local 416 which state that Wishard Hospital will not provide the ambulance services for the county.

Consolidation transition costs are outlined in a memorandum. See Exhibit 5. Vince Huber submitted to the Commission a list of questions concerning law enforcement savings and other issues that he submitted to the city earlier for answers. See Exhibit 6. Ms. Overholt stated that they received those questions, but have difficulty answering them because they don't know what the council will approve with regard to the police consolidation. In addition, the Sheriff (not the city) will control many of the issues referenced in the questions. Senator Young stated that the city has to wait for the city-county council to act. Vince Huber made the following comments about the police consolidation in Charlotte, North Carolina:

There's no indication that the consolidation resulted in cost savings.

Promotions were frozen.

Police officers were transferred out of the city.

The consolidation took three years.

Crime increased.

Some police officers had their take home cars taken away from them.

Senator Young announced that the next meeting of the Commission would be August 31, 2005 at 9:15 a.m. He stated that the first speakers would be Mayor Bart Peterson and the Director of the Office of Fiscal Management. He stated that ambulance issues would be discussed. Speakers recommended by the Greater Indianapolis Chamber of Commerce would also address the Commission. The Commission will discuss at the next meeting what questions they want to be answered and who the Commission wants to do the research. The meeting adjourned at 5:12 p.m.