



Promising Solutions

Government & Education | Economics & Public Finance | Health & Human Services | Nonprofits & Communities

Southeastern Connecticut Council of Governments Shared Services Opportunity Study

January 2018

1 South Washington Street
Suite 400
Rochester, New York 14614
(585) 325-6360

www.cgr.org

Social Services

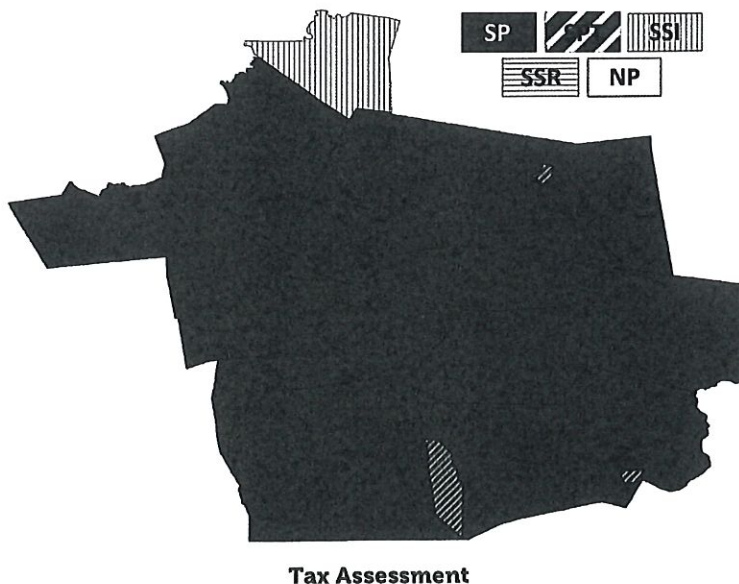
Nine (9) municipalities report providing a robust social services function to residents. The State also operates a regional office on West Thames Street in Norwich to provide information and enrollment involving child support, adult / family social work, protective services for the elderly, ombudsman services and other programs. Beyond the municipalities that do provide some social service programming, others (e.g. New London, Franklin) provide service referrals and information, but do not otherwise have a dedicated municipal department.



Tax Assessment

The assessment function is generally decentralized across SCCOG. Each municipal assessor is tasked with determining the value of all taxable property in the municipality, and maintaining those records for the local government. There is one shared service example:

Windham and Chaplin jointly provide assessment services via inter-municipal agreement. As shown in the map, the City of Groton and the boroughs receive the service from their respective town. East Lyme and Waterford have jointly solicited and engaged the same revaluation company in the past.

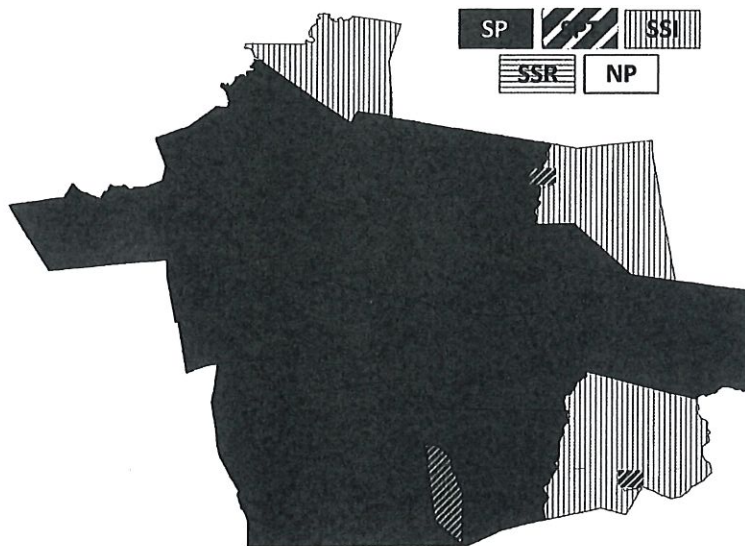


The Connecticut Conference of Municipalities' 2017 report (This Report is Different) identified

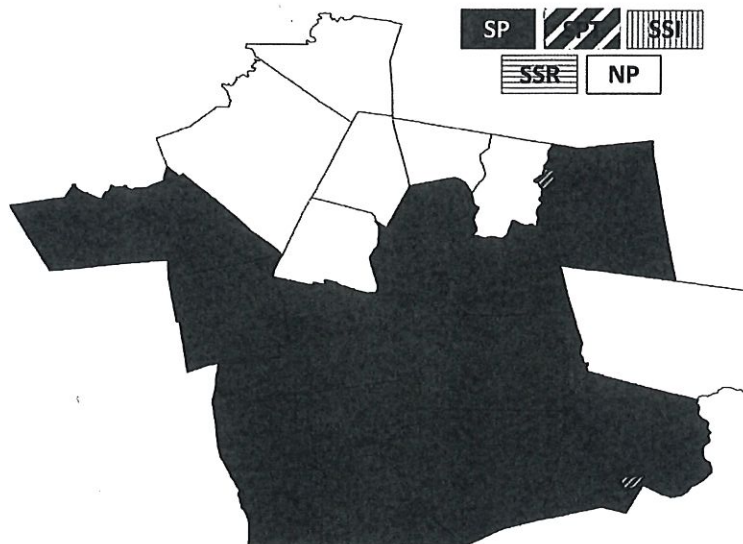
assessment services as a potential area for sharing or consolidating, calling for coordination among assessment offices servicing less than 15,000 parcels. "Based on a 2013 national study conducted by the International Association of Assessing Officers... the typical property assessment office is responsible for assessing over 50,000 parcels... Municipal assessors (in CT), on the other hand, average just under 15,000 parcels... Based on national survey data, there is every reason to believe there are economies of scale in property assessment, even after controlling for the complexities faced in Connecticut."³⁴ CCM estimated the statewide savings potential for shared assessment at \$5 to \$10 million.

Tax Collection

Tax collection is generally administered by each individual municipality. Griswold and Stonington Town both provide the service on a contract basis for their boroughs (Jewett City and Stonington Borough, respectively); Groton Town also provides tax collection for Groton City. Windham provides the service jointly to NECCOG member Chaplin.



Tax Collection



Youth Services

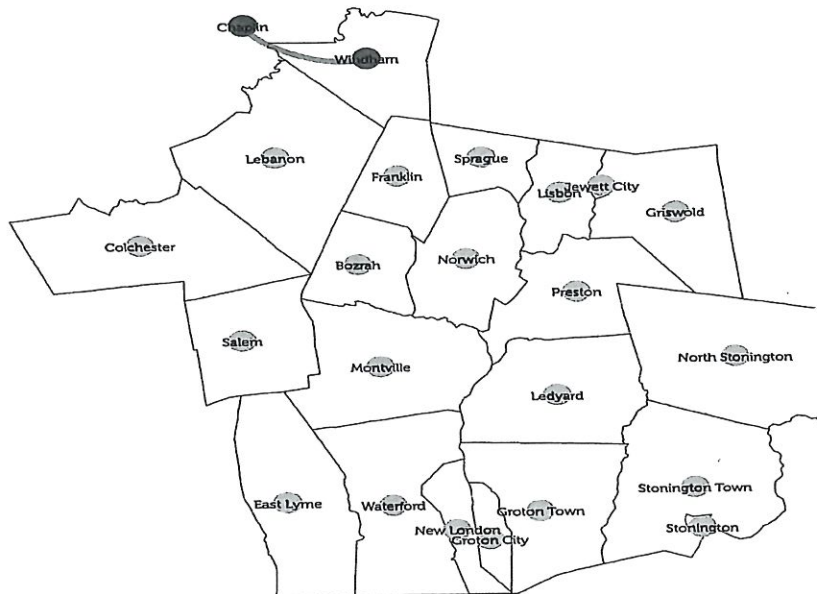
More than half of SCCOG municipalities provide some youth programming as a local government service. Where youth services are provided,

³⁴ Securing the Future: Service Sharing and Revenue Diversification for Connecticut Municipalities, Connecticut Conference of Municipalities, January 2017.

Tax Assessment

CGR identified one (1) existing shared service arrangement in tax assessment.

1. Windham provides tax assessment jointly with NECCOG member Chaplin pursuant to inter-municipal agreement.



Tax Assessment

Current Approach

Property taxes are a critical component of the revenue stream that supports local governments, both in the SCCOG region and throughout the state. In FYE 2017, property taxes accounted for more than 69 percent of all municipal revenues among SCCOG governments. Levying and collecting those taxes depends in significant part on a fair, equitable tax assessment system.

Within SCCOG, as well as statewide, the assessment function is generally decentralized. Each municipality administers its own assessment function, and each municipal assessor is tasked with determining the value of all taxable property in the municipality and maintaining those records. Although there are examples of inter-municipal sharing (e.g. Windham providing services jointly with NECCOG member Chaplin, and East Lyme and Waterford having jointly solicited and engaged a common revaluation company in the past), they are the exception to the rule. By and large, the assessment function is staffed, administered and implemented independently by each local government.

Recommendation

SCCOG municipalities should pursue shared assessment operations through inter-municipal agreement, using common municipal assessors (where feasible), shared "back office" support services, or both. Ideally, arrangements should seek combined account portfolios at or above 10,000 in order to leverage the greatest unit cost benefit.

SCCOG municipalities, particularly those on a common revaluation schedule, should jointly bid revaluation services.

Potential Benefits

The idea of achieving efficiencies through shared assessment services is not new. The Connecticut Conference of Municipalities in 2017 singled out assessment as a potential area for sharing or consolidating, specifically calling for greater coordination among assessment offices servicing fewer than 15,000 parcels. "Based on national survey data," CCM noted, "there is every reason to believe there are economies of

scale in property assessment, even after controlling for the complexities faced in Connecticut."⁴¹ Based on our review, CGR agrees.

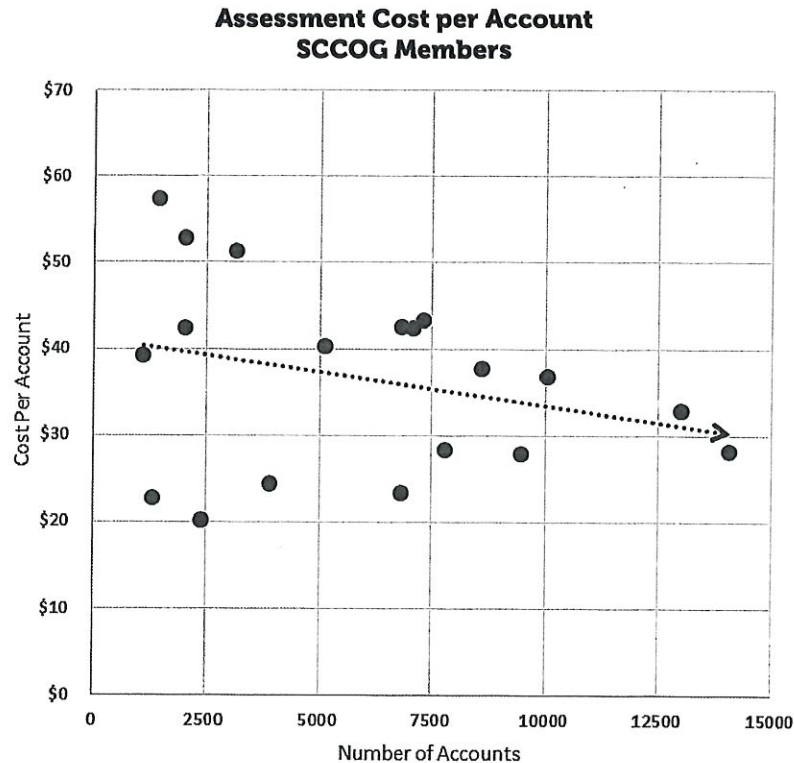
The push to improve the efficiency and cost-effectiveness of assessment services is not unique to Connecticut. Both Massachusetts and New York have explored regional approaches to their fragmented municipal assessing systems in recent years. In fact, New York launched the Centralized Property Tax Administration Program in 2008-10 to examine shared service feasibility in counties statewide and provide financial incentives to encourage collaboration.

CGR's review found several reasons to suggest that inter-municipal approaches could yield benefit in the SCCOG region. Each is addressed below.

Size-Cost Relationship

An analysis of assessment costs by SCCOG municipality for fiscal year ending 2017 found a relationship between portfolio size (i.e. the number of parcels / accounts served by a municipal assessing unit) and unit costs. Specifically, the analysis found SCCOG municipalities that serve the largest number of parcels / accounts *generally* have lower costs per parcel / account. Consider: The SCCOG municipalities with the 9-fewest assessing accounts had an average per account cost of \$38.30, more than ten percent higher than the SCCOG-wide mean (\$34.65) and sixteen percent higher than the municipalities with the 9-most assessing accounts (\$33.04). The unit cost differential was even greater with respect to the 3 SCCOG municipalities whose assessing portfolio included more than 10,000 accounts (i.e. Norwich, Groton and Stonington). Their combined per account cost was \$31.85, nearly 17 percent lower than the cost for municipalities with fewer than 10,000 accounts.

⁴¹ *Securing the Future: Service Sharing and Revenue Diversification for Connecticut Municipalities*, Connecticut Conference of Municipalities, January 2017.



Commonality of Function

A second factor suggesting potential benefit through shared services is the commonality of functional responsibility across municipalities' assessing operations. Although each city and town has certain community and property characteristics that render it "unique" in ways that can impact valuations, the basic responsibility of the assessing office in each municipality is the same. This is particularly the case given state requirements governing assessing operations. Assessing is therefore unlike some municipal services that may see more variability in level-of-service or approach from community to community.

Succession Planning

Some SCCOG members indicated that succession planning was a concern, either as a result of a pending retirement or in general. Given the specific qualifications and experience required of municipal assessors, and the relatively small pool of talented and capable assessors in any region, municipalities often find it challenging to fill vacant positions as incumbents retire or leave for other employment. More collaborative approaches to providing the service have the potential to reduce the number of qualified assessors required by the system and mitigate the challenge of each municipality having to identify its own.

Joint Bidding of Revaluation Services

Revaluation is a critical element of a fair and equitable tax assessment system. "Connecticut law requires that all property be re-valued for assessment purposes periodically. A revaluation is required to be completed every five years. The purpose of this requirement is to ensure uniformity in real property valuations by eliminating inequities that may have developed since the previous revaluation."⁴² Because of the 5-year requirement, the future schedule of revaluations among SCCOG member municipalities is staggered. According to data obtained from the State Office of Policy and Management, the current schedule of revaluation in SCCOG is as follows:

2017	2018	2019	2020	2021
Bozrah Preston Sprague Stonington Waterford	Franklin Lebanon New London Norwich Windham	< None >	Ledyard N. Stonington	Colchester East Lyme Griswold Groton Lisbon Montville Salem

Though it is not a requirement that municipalities be contiguous to jointly bid revaluation services, neighboring communities who share a common revaluation schedule may offer more natural opportunities at first. The 2018 communities include four contiguous municipalities: Franklin, Lebanon, Norwich and Windham. In 2019, neighbors Ledyard and North Stonington are due. And in 2020, two groups of contiguous communities are due: Griswold / Lisbon, and Colchester / East Lyme / Montville / Salem.

The revaluation process includes common phases in each municipality: Inspection (i.e. data collection), market analysis, valuation, field review and hearings. Revaluation efforts are generally outsourced, although individual municipalities have in the past opted to retain certain elements of the process in-house.

CGR finds that there is potential benefit in municipalities jointly bidding these revaluation services. Collectively, SCCOG municipalities spent a combined \$2.6 million over their most recent revaluation rounds. As noted earlier, there is already an example of joint bidding in the SCCOG region. In 2009, a report of the state's Property Revaluation Workgroup explored the possibility of establishing a series of "revaluation regions" throughout the state to better coordinate revaluations and position municipalities to leverage efficiencies through a common schedule. Although the

⁴² Via State Office of Policy and Management: <http://www.ct.gov/opm/cwp/view.asp?q=385050>

Workgroup opted against recommending a mandated regional revaluation schedule, it did recognize the cost savings potential of collaborative approaches. Further, in noting that the staggered revaluation schedule is an inhibitor to shared services, it recommended the state "grant a town a revaluation delay in order to allow the town to enter into an inter-local revaluation agreement."⁴³

The Northeastern Connecticut Council of Governments has already implemented a regional property revaluation. "NECCOG, in 2009, sought and secured legislation (Public Act 09-60) that enabled a regional approach to property revaluation."⁴⁴ The Act provided flexibility to alter the revaluation dates for individual towns in order to equalize regional workload over the five-year period. "Subsequent to the legislation's passage, NECCOG put in place the first ever regional revaluation program in Connecticut. The resulting savings to the participating towns was significant – estimated at more than \$650,000" through the first five-year cycle.⁴⁵

Even within SCCOG, there is a relationship between revaluation scale and unit cost. Municipalities with higher number of parcels *generally* spent less on a per-parcel basis for their most recent respective revaluation. There is some "noise" in this relationship, given the different levels of outside assistance used by each municipality in the revaluation process. Some outsource the entire process, while others outsource only a portion and retain certain elements in-house. But as shown in the following graph, for the most recent round, larger-scale revaluations among SCCOG members appear to have *generally* been more cost-effective than smaller-scale ones.

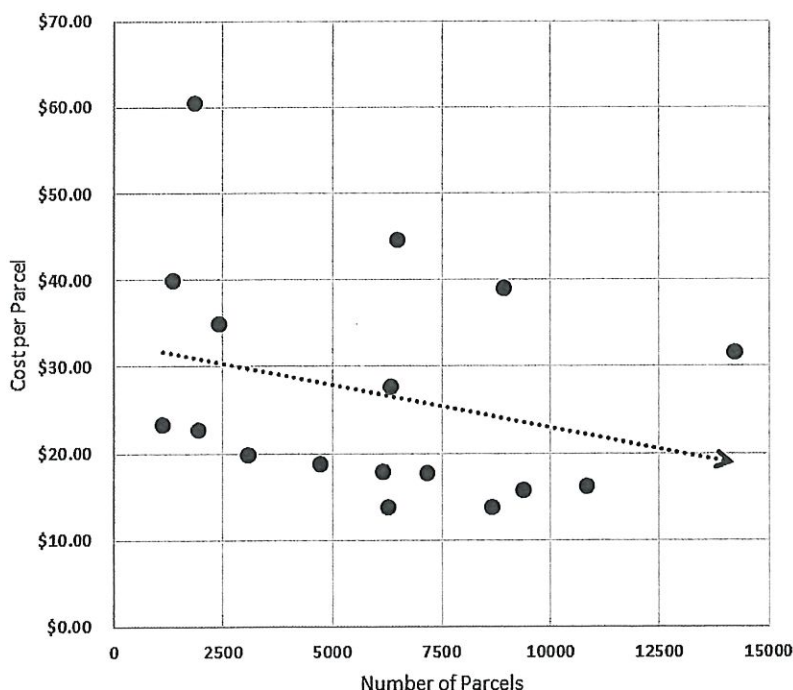
⁴³ Report of the Property Revaluation Workgroup:

http://www.ct.gov/opm/lib/opm/igp/prop_reval_wkgrp/revaluation_report_pt1.pdf

⁴⁴ Northeastern Connecticut Council of Governments, <http://neccog.org/programs-services/>

⁴⁵ *Ibid*

**Per Parcel Cost of Most Recent Revaluation
SCCOG Members**



Cost Savings Potential

There is savings potential from sharing assessment services more widely. The magnitude of that savings is subject to precisely what services are shared and the structure by which it occurs. But in at least two areas – general assessment services and joint bidding of revaluations – there is evidence that cost reductions may be achieved by operating at a larger (i.e. more collaborative) scale.

Within SCCOG today, there is a direct relationship between the scale at which assessment services are provided (i.e. the number of accounts covered) and the unit cost of those services (i.e. the cost per unit). It is an inverse relationship indicating scale efficiency – in general, municipalities with more accounts pay a lower unit cost than do municipalities with fewer accounts. Consider: If the SCCOG municipalities with the 9-fewest assessing accounts were able to reduce their unit cost to the average unit cost of the SCCOG municipalities with the 9-most assessing accounts, the savings potential is nearly \$150,000. Moreover, if SCCOG municipalities with fewer than 10,000 accounts were able to reduce their unit cost to the average unit cost of those municipalities with more than 10,000 accounts, the savings potential is slightly more than \$300,000.

Regarding joint / regional bidding of revaluations, a similar scale relationship exists and can offer a frame of reference for potential savings. One leverage point appears to be at the 7,000-parcel mark: SCCOG municipalities with more than 7,000 parcels spent (or are spending) an average of \$23.13 per parcel on their most recent (or ongoing) revaluation; by contrast, SCCOG municipalities with fewer than 7,000 parcels spent at a rate of \$27.15 per parcel, 17 percent more. If the smaller municipalities were able to achieve the scale benefit of the largest ones, the SCCOG region could realize potential savings of more than \$160,000.

Implementation Considerations

The authorization for municipalities to jointly deliver assessment functions would appear to fall under Connecticut General Statutes (CGS) Section 7-148cc, which states that "two or more municipalities may jointly perform any function that each municipality may perform separately under any provisions of the general statutes or of any special act, charter or home rule ordinance by entering into an interlocal agreement pursuant to sections 7-339a to 7-339l, inclusive."

If SCCOG were asked to take on additional towns, it may need to hire additional planners to support that added workload. Such an expansion of SCCOG staff would be subject to current staff workload and funding sources.

It is also worth noting that there may be potential for SCCOG to provide functions beyond traditional planning, such as zoning enforcement, wetlands and blight enforcement. Those are functions planners are already performing elsewhere in Connecticut.

Regarding joint revaluation, CGS Section 12-62q (Regional revaluation program) already provides a mechanism for collaboration: "...any two or more towns may enter into an agreement, as provided in section 7-148cc and sections 7-339a to 7-339l, inclusive, to establish a regional revaluation program. Towns participating in such an agreement shall provide for the revaluation of all parcels or real property encompassed within such towns at the same time and not less than once every five years, or shall annually revalue approximately one-fifth of all such parcels over a five-year period."

There is a potential role for SCCOG to play in facilitating such shared arrangements. As the statute continues, "Any agreement entered into pursuant to subsection (a) of this section shall: (1) Establish or designate an entity, which may be a regional planning organization, as the coordinating agency for implementation of the regional revaluation program..." As noted above, the same CGS section provides flexibility such that "participating towns shall submit to the Secretary of the Office of Policy and

Management proposed adjustments to the revaluation schedules" in order to shift participants to a common schedule.

It is worth noting that SCCOG municipalities' most recent revaluations / reassessments were largely clustered with a single vendor, although each was bid independently. A total of six vendors were used (or are being used) by SCCOG municipalities for their most recent updates – one vendor in particular was separately contracted by 13 governments, while five other vendors were contracted by one government each.

Public Works

Current Approach

There is no single definition to public works among SCCOG governments. Every municipality but one⁴⁶ has its own department that provides an array of services depending on the needs of the community. Collectively, those governments employ about 410 full-time equivalent staff (including transfer station employees) and spend approximately \$72 million. Some public works departments perform tasks that are handled by recreation departments in other communities. Also, engineering services may appear under public works or under a separate department. Some communities provide curbside refuse pick up while others contract for that service with private haulers or provide only a transfer station. In short, "to know one SCCOG public works department is to know one SCCOG public works department."

Notwithstanding this diversity of approach, public works-related services are responsible for about 20 percent of municipalities' non-educational costs and about 20 percent of municipal employees, and by its size is the largest function, so it should be a focus for shared service opportunities.

One challenge in moving significant shared services forward in the immediate term is public works agencies' operational independence. CGR found that formal sharing of equipment, staff and specialty skills across SCCOG public works agencies is not common. Informal cooperation occurs somewhat more often, but generally speaking public works agencies operate separately. This suggests some "building blocks" to collaboration are necessary to increase connections and familiarity across agencies and pave the way for future shared services. Bringing public works leaders together more regularly is a way to begin doing that, and is included below as a recommendation. Another building block would be joint training courses on relevant topics to foster familiarity between workforces.

⁴⁶ Jewett City contracts with Griswold for this service.