

# Municipal Capacity





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# Executive summary

The capacity of municipalities throughout northeastern Illinois to pursue their own local and regional goals varies widely—and is often insufficient. Factors such as staff and elected official expertise, financial conditions, tax base and policy, ability and expertise to prioritize investments, and more can affect a municipality’s ability to thrive. The consequence of this variation and insufficiency is that many communities simply cannot set or achieve goals, and face increasingly difficult barriers to overcome.

The region is at a critical moment. Insufficient local revenue leaves little room for achieving planning objectives. The sheer number of government units in the region – including, but not limited to municipalities – may drive higher public service costs and likely diminishes civic engagement. Some of these issues municipalities can control, but without a concerted and sustained effort to rethink how municipalities function and cultivate resources, achieving substantive local or regional improvements will be challenging. The Chicago Metropolitan Agency for Planning (CMAP) and Metropolitan Planning Council (MPC) developed this strategy paper to begin to outline how that effort might take shape and to inform ON TO 2050, the region’s next comprehensive plan.

CMAP and MPC analyzed the factors that affect municipal capacity positively and negatively, as well as strategies to enhance capacity. Through a series of in-depth focus groups with elected officials and staff throughout the region, CMAP and MPC compared needs and barriers in areas such as training, service sharing, revenue base, planning practice, and many others. Research on existing best practices within the region, as well as analysis of initiatives in other states and regions identified the most viable recommendations to improve municipal capacity. Recognizing the diverse characteristics and goals of jurisdictions throughout the region, this strategy paper offers a guide for all municipalities across the full spectrum of capacity levels, with a suite of strategies that can be tailored to meet each municipality’s needs. Several recommendations call for new partnerships across the region and among various government agencies, emphasizing the broad range of actors that play a pivotal role in building effective government, including local governments, counties, councils of government, CMAP, civic organizations, and the State of Illinois.

This paper establishes a strategic framework of recommendations to build technical expertise, enhance community networks, and enhance the capability of municipalities and their staff. These recommendations are categorized into the following five areas:

1. Enhance technical assistance offerings and resources.
2. Prioritize training for municipal officials and staff.
3. Support service sharing and consolidation.
4. Ensure municipalities can effectively maintain and enhance their infrastructure.
5. Address fiscal conditions.

The project's advisory group and focus group participants consistently identified the following seven actions as near-term priorities to advance the five key recommendations:

1. Promote and facilitate shared service goals through technical assistance.
2. Identify and evaluate opportunities for service consolidation and shared service delivery.
3. Build on the success of CMAP's Local Technical Assistance (LTA) program.
4. Ensure relevant trainings are provided for elected and appointed officials.
5. Create networking opportunities for municipal staff.
6. Provide opportunities that encourage municipal cooperation and partnership.
7. Improve infrastructure planning.

This strategy paper should be used to promote dialogue and expand practice areas that develop and reinforce partnerships, and to help local actors overcome barriers to achieving local and regional goals. CMAP and MPC are committed to pursuing implementation of these recommendations.

# Introduction

Many communities throughout northeastern Illinois are struggling to set and achieve goals. Water pipes are crumbling, economic development plans sit stagnant, and capital improvement plans – if they exist – often are not adequately implemented. Certainly, many communities in the region are thriving. However, all too often, cities and villages lack the capacity to execute goals that can improve local quality of life and promote a strong and successful region. Mixed capacity – embodied in expertise, networks, staff, and fiscal resources – produces mixed results on best practices to leverage local and regional resources. Some municipalities improve service quality and efficiency by collaborating with others, while some are unaware of or have insufficient resources to take advantage of collaboration and other strategies. Consolidation, both of local governments and discrete services, has occurred on a limited basis. Meanwhile, outdated governance models persist.

Countless factors influence a municipality’s capacity level, and these factors differ from one community to the next. Some communities face capacity constraints because of insufficient revenue or because of an over-reliance on one particular type of revenue, such as property taxes or sales taxes. Others fail to invest in professional development of their staff, or to foster a work culture that rewards professional development and retains talented staff.

Whatever the causal factors, the consequences are similar across the board. Actions to improve services, invest in quality of life, proactively plan for future needs, and support programming for those in need too often remain undone as municipalities struggle to provide basic services and react to immediate needs. Many communities face this reality now. Many more may face it soon, given the trajectory of federal and state funding, economic shifts, population changes, and looming debts.

In the past decade, service sharing in certain pockets of northeastern Illinois has noticeably increased; the Municipal Partnering Initiative, led by the Village of Glenview, is a prominent example. The consolidation of Evanston Township into the City of Evanston, and the efforts of DuPage County’s Accountability, Consolidation, and Transparency Initiative also have provided tangible, replicable examples of wholesale rethinking of governance structures. Broader implementation of such concepts by the region’s municipalities as well as integration across their departments is needed. Likewise, many of the region’s municipalities, particularly smaller communities, have informal agreements with their neighbors to share equipment and, occasionally, personnel. An intentional and focused effort to build municipal capacity across northeastern Illinois would help ensure these small-scale partnerships realize their full potential, including cost savings and service improvements.

GO TO 2040 included many recommendations for local and regional action to achieve a wide array of goals. However, local capacity to execute goals is highly variable across the region. While some communities choose to have low staffing, revenues, and other measures of capacity, other communities face population, fiscal, and economic conditions that limit their ability to

implement local and regional goals. At the same time, a number of the region's municipalities are able to outperform expectations through proficient staff, partnerships with neighboring communities, or other means. The development of the region's next comprehensive plan, ON TO 2050, is an opportunity to explore strategies that will assist municipalities in implementing the region's plan and their own local plans.

Other units of local government, such as townships, school districts, and other special purpose districts, also face these challenges. Additionally, policy and budgetary decisions by the State of Illinois have profound effects on the capacity of municipalities to pursue their goals. However, it is frequently municipal officials and staff who must address public frustration about taxes, debt, plans, projects, and, more mundanely, potholes. After all, most people consider themselves living in a city or a village – rather than in, say, a library district or mosquito abatement district. Fortunately, given their broad powers to tax, plan, and invest, municipalities can do a lot to improve both their own capacity and the performance of government for the taxpayer and citizen.

CMAP's experience with the LTA program highlights how a municipality's capacity affects its ability to implement local and regional goals. Since the adoption of GO TO 2040, CMAP's LTA program has provided stakeholders throughout the region with actionable plans to achieve local goals consistent with the broader aims of GO TO 2040. Through the work of many people and partners, there has been no shortage of local and regional planning in recent years. If fully implemented, these plans would significantly improve the economy, environment, and quality of life of communities throughout northeastern Illinois. However, local implementation of these plans has been inconsistent. Many communities have indicated that inconsistent or insufficient capacity, rather than a lack of desire, has limited their ability to execute local and regional recommendations.

Likewise, local capacity to execute regional goals—such as increased multijurisdictional coordination, preserving high-quality natural areas, implementing service sharing and consolidation, and working with adjacent municipalities on complex issues such as housing, transportation, and economic development—is highly variable. Pursuing these goals may require additional staff expertise or more time or resources than are available. Unless there is an immediate local benefit, these larger initiatives can be difficult to rationalize when facing staffing or budget constraints.

Anecdotally, the communities that would seem to benefit most from LTA and collaborative, interjurisdictional activities engage in them least. Many municipalities contributing to this report voiced frustration that their lack of capacity has impeded their ability to improve public engagement, provide services at the appropriate geographic scale, adopt sustainability practices, increase participation in the region's economy, or reinvest in aging infrastructure. These goals seem to be both pathways to increased local capacity as well as the outcome of having capacity available in the first place.

Many of the reasons cited for insufficient local capacity stem from municipal fiscal condition and increasingly constrained resources. Communities that have high property tax rates often struggle to attract new real estate development. Conversely, communities that rely heavily on sales taxes can see substantial swings in revenue depending on market conditions, and are facing the reality of declining in-store purchases as Internet sales continue to affect shopping habits. Non-home rule communities face limits on the amount and types of revenues they can raise to address goals and problems.

Taken together, these observations suggest that, absent a direct and significant focus on bolstering local capacity, implementation of GO TO 2040, ON TO 2050, LTA plans, and local goals will continue to be inconsistent and insufficient. While the goal of this paper is to provide strategies to improve municipal capacity regionwide, it is impractical to put the onus for that capacity increase wholly on communities themselves. The recommendations offered in this strategy paper are aimed at a variety of implementers: local governments, counties, councils of government (COGs), CMAP, civic organizations, and the State of Illinois. What's more, substantial collaboration amongst implementers will be necessary to achieve the benefits of increased local capacity across the region. This paper provides a strategic framework for municipalities to increase their capacity by building expertise, partnerships, and capability.

## Research process

Qualitative research and input was gathered from a variety of sources to develop a strategic approach to help all types of communities implement ON TO 2050. The process included staff research of existing conditions and best practices, 10 focus groups with various experts and stakeholders on specific topics, 53 workshops throughout the region attended by 430 municipal staff and officials, feedback from CMAP committees, and guidance from a temporary Resource Group. The Resource Group was comprised of 15 stakeholders and experts representing municipalities, counties, and other experts on municipal issues. The group met six times from fall 2016 to summer 2017 to help CMAP and MPC staff identify strategies to improve municipal capacity. Additional information on resource group members and meeting topics, as well as focus group topics, is included in Appendix A.

## Overview of municipal capacity findings

Through this project, CMAP, MPC, and advisors determined that measuring capacity is a very complicated task. Too many variables affect potential indicators – such as infrastructure condition – to state definitively that high or low capacity is the source of any individual solution or problem. Additionally, very few reliable data sets exist that can be used to assess capacity. Moreover, the benefit of being able to measure a community's capacity and assign a grade, for example, is limited.

What is helpful is determining a set of metrics that may indicate high or low capacity, so that one could answer the question: "If two communities are similar in so many ways, why is their



performance in meeting local or regional goals so different?" The metrics outlined below are useful in that regard. CMAP and MPC also conducted original research into the possible reasons for performance disparities. The following provides summaries of the research on these metrics and a review of the process undertaken to define municipal capacity.

## Definition of municipal capacity

Research provides varying definitions of municipal or community capacity. Some research evaluates capacity via citizen participation and community structure. Other research discusses how capacity relates to governance. The latter approach is most appropriate for the purposes of this paper, including development of ON TO 2050 recommendations. Therefore, municipal capacity may be defined as the ability of a municipality to ensure services are provided on a sustained basis in pursuit of local and regional objectives.<sup>1</sup> These objectives could involve public services, community identity, and regional and local economic development.

Using this definition, CMAP and MPC further delineated capacity into the categories of policy and implementation capacity, and operational efficiency. Policy and implementation capacity refers to a local government's decision-making and analysis process, and its ability to carry out decisions made on behalf of the municipality. Operational efficiency includes cost-effectiveness and the quality of service provided to a municipality's residents, businesses, and visitors.

There is not a linear measure of high or low capacity. Various challenges that can affect a municipality's capacity are often difficult to quantify and measure. Some of the region's communities may suffer from poor fiscal condition, resulting in insufficient funding to pursue planning objectives or provide essential services. Other municipalities may have low staffing levels, or their staff and elected officials may lack technical knowledge or awareness of available resources. Some communities may have residents who lack interest or ability to become involved with implementing planning objectives, or who actively oppose these activities. In some places, low capacity may be a conscious choice by a voting populace that prefers minimal local government.

Conversely, many communities may be higher capacity than metrics alone would suggest, for reasons such as having elected officials and staff with strong expertise; possessing a strong sense of community identity, culture, and/or civic engagement; and tapping into broader regional resources, such as local technical assistance.

## Metrics as indicators of capacity

There are numerous challenges to measuring municipal capacity across the region. Necessary data is often unavailable in a comprehensive manner for most municipalities or a metric may

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<sup>1</sup> Definition based on resource group input, as well as various sources: Charles Polidano, "Measuring Public Sector Capacity," Institute for Development Policy and Management, 1999; Robert Mohr, Steven C. Deller, John M. Halstead, "Alternative Methods of Service Delivery in Small and Rural Municipalities," *Public Administration Review*, October 26, 2010.

not be applicable to all municipalities in the region. For example, CMAP and MPC considered using metrics such as a municipality’s bond rating and number of employees. However, this information is not available for all municipalities in the region. Therefore, measuring municipal capacity is both a quantitative and qualitative exercise. To identify the current state of municipal capacity in the region, CMAP and MPC used both qualitative data, such as assessments of LTA project outcomes and responses to municipal surveys, and five quantitative metrics, outlined below.

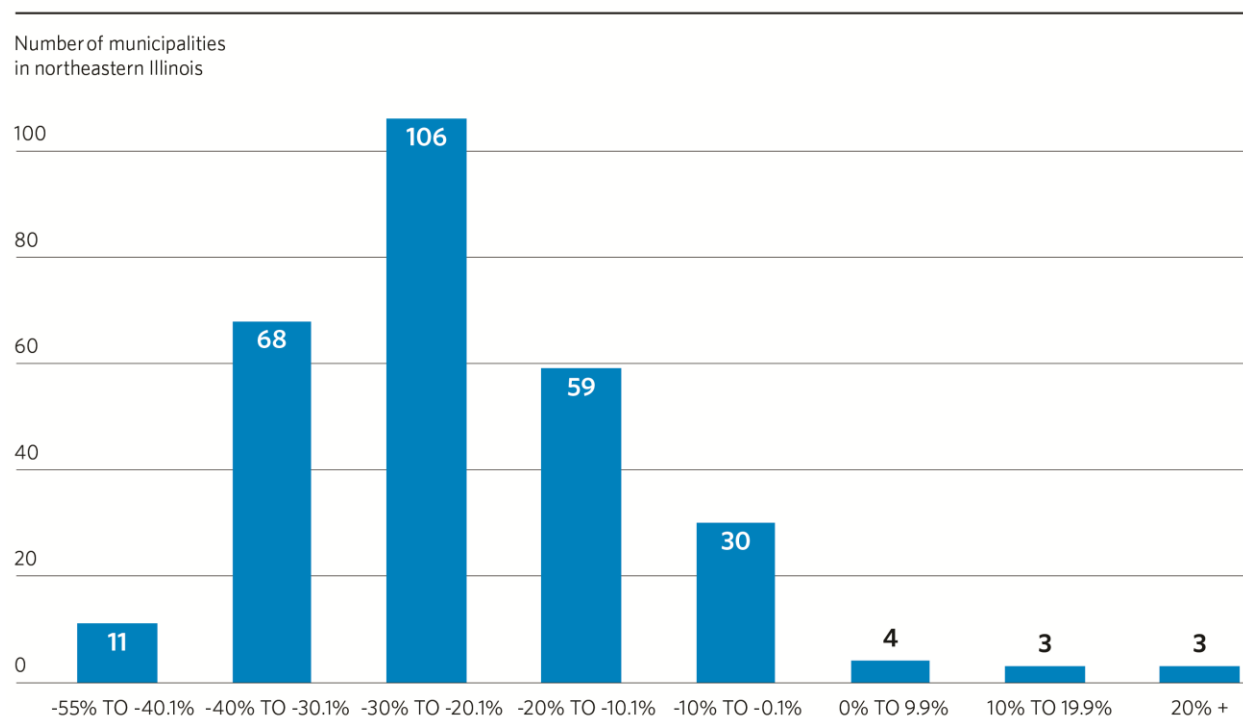
These five metrics address both drivers of capacity, such as revenue levels, and outcomes of capacity, such as having a capital improvement plan. While no single measure can indicate high or low capacity, these individual metrics may highlight particular areas of concern or strength in a municipality. Some also may uncover common challenges in implementing planning recommendations. These metrics also may help in targeting potential strategies such as technical assistance, education, and service sharing among different municipalities. Table 1 summarizes the metrics discussed in detail below and illustrated in maps in Appendix B.

**Table 1. Summary of capacity metrics**

<b>Metric</b>	<b>Description</b>	<b>Metric type</b>
Property tax base growth	Change in Equalized Assessed Value between 2007 and 2015	Driver of capacity
Total revenue	2014 total revenue, divided by the greater of residents or employees, and normalized for fire services	Driver of capacity
Home rule status	Whether a municipality has home rule status	Driver and outcome of capacity
Existence of a capital improvement plan	Whether a municipality has a capital improvement plan	Outcome of capacity
Age of comprehensive plan	Year of most recent comprehensive plan	Outcome of capacity

**Property tax base growth.** Growth in the property tax base, as represented by Equalized Assessed Value (EAV), is a driver of a municipality’s capacity. It is a significant indicator of both economic health and fiscal condition. While not all municipalities take advantage of their property tax base to generate revenues, municipalities with a strong property tax base have the potential to generate sufficient revenues without extremely high tax rates. A growing property tax base is key to ensuring that a municipality can meet the increasing costs of delivering public services without tax rate increases. Property tax base growth also provides insight into the extent of economic development occurring within each municipality. This analysis uses percent change in EAV between the 2007-15 tax years to measure property tax base growth. Because the region’s property tax base is still experiencing effects of the economic recession that occurred between December 2007 and June 2009, most municipalities have experienced declines in property tax base during this period, but there is variation across the region. Figure 1 represents the distribution in percent change in property tax base across the region’s municipalities.

**Figure 1. Percent change in Equalized Assessed Value**



Source: CMAP analysis of Illinois Department of Revenue data.

**Total municipal revenue.** The revenues a municipality has to expend on public services and other objectives is a driver of its overall capacity. The benefit of measuring overall municipal revenues (including those deposited into general, special, capital, and debt service funds) is that it provides a measure of fiscal capacity without regard to fiscal structure. To normalize across municipalities, total revenues were divided by the number of residents (or employees, if greater) in each municipality. In addition, whether each municipality provided fire protection services (versus having a separate fire protection district) was considered in the analysis.

**Home rule.** All Illinois municipalities with populations greater than 25,000 are granted home rule status, and municipalities with smaller populations may adopt home rule status by referendum.<sup>2</sup> Home rule communities can “exercise any power and perform any function pertaining to its government and affairs.”<sup>3</sup> Home rule municipalities have the ability to pass ordinances to govern themselves as they see fit. This includes expanded taxation and regulatory powers, such as the ability to implement local sales taxes without a referendum and exceed state statutory limitations on property tax extensions without a referendum. Home rule may be a distinguishing factor in a municipality’s capacity because the community either must be large enough to have home rule powers automatically, or must have the capacity to adopt home rule by referendum. This metric can help gauge the opportunities that a municipality has and its

<sup>2</sup> Municipalities may also abandon home rule by referendum, which has happened three times in northeastern Illinois.

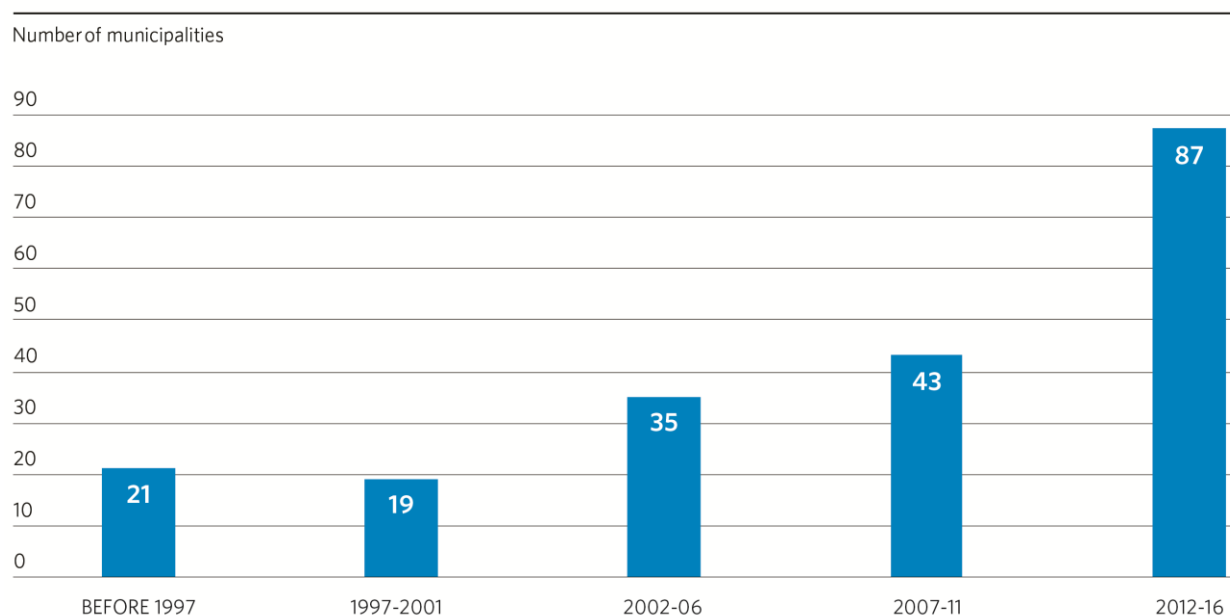
<sup>3</sup> Illinois Constitution art. VII, Section 6(a).

ability to make its own decisions and further its own objectives. Northeastern Illinois includes 141 home rule municipalities and 144 non-home rule municipalities.

**Existence of Capital Improvement Plan (CIP).** A CIP is a short-range plan (4-10 years) that identifies capital projects and equipment purchases, provides a planning schedule, and identifies options for financing the plan. The plan provides a link between a municipality, school district, parks and recreation department, and potentially among other intergovernmental agencies. Having a CIP may be an outcome of being a high-capacity community because developing such a plan requires a certain degree of technical knowledge and capacity that some municipalities do not possess. CIPs also require financial expertise, available funding, and the capability to improve infrastructure. A higher capacity municipality, therefore, may be more likely to propose and initiate a CIP than a lower capacity municipality.

**Age of comprehensive plan.** A comprehensive plan outlines the priorities, objectives, and plans of a municipality, region, or state. Comprehensive plans are important because they help to lay the foundation for the future of the geographic area the plan represents. An outcome of having greater capacity may be that a municipality has the technical capacity to complete a long-range planning project, and update the adopted document regularly. It also highlights whether a municipality has the resources necessary to initiate and complete a large-scale project. The more recent a comprehensive plan, the more likely the municipality is to have higher technical knowledge and staff capacity. The existence of a newer comprehensive plan also highlights the ability to focus on long-term objectives. Figure 2 illustrates the number of municipalities by comprehensive plan date adoption. Twice as many municipalities have adopted plans within the past five years than within the past 10 years. Among the 87 plans adopted between 2012-16, 34 were completed as part of CMAP's LTA program.

**Figure 2. Year of most recent comprehensive plan adoption**



Note: Excludes 80 municipalities for which no data was available, as well as plans adopted in 2017.

Source: CMAP analysis of Local Technical Assistance plans and 2016 municipal survey.

## Current municipal capacity context

CMAP and MPC investigated a range of ways in which communities build their own capacity, as well as some of the structural and operational challenges that municipalities face in building capacity. This section will describe the current context, as well as potential opportunities and challenges around several key areas, including shared services, consolidation, recruitment, training, tax policy and fiscal condition, and infrastructure.

### Shared services

Service-sharing agreements, both formal and informal, are abundant in northeastern Illinois. Many communities have some form of partnership with a neighbor—such as joint bidding, shared staff, or shared equipment—to address infrastructure, staffing, and programming demands and to meet local service needs. Shared services collaboration between governments may take several forms:

**Shared provision.** Government entities form partnerships through which services are delivered by another unit of government. Examples include waste collection and disposal, joint purchasing (for materials such as road salt and vendor services such as tree trimming and turf maintenance), utility aggregation, tax assessment, and airport services.

**Shared staff.** A municipality hires an employee and contracts to other municipalities to deliver the same service, such as building inspection. In northeastern Illinois, municipalities that do not have the required workload to justify a full-time employee often use this strategy.

**Shared infrastructure delivery.** Municipalities collaborate on infrastructure projects or the aggregation of infrastructure projects. Examples include joint water and sewer systems, roads, lighting, or buildings for social infrastructure such as recreation centers or police stations. For many government entities, sharing the costs of construction, operation and maintenance of infrastructure results in greater ability to finance projects and overall lower project costs. This approach also can provide critical infrastructure in a community that lacks capacity to fund, build, or replace large infrastructure systems by itself.

Service sharing has multiple benefits for communities, and the advantages are not limited to cost-savings; indirect savings include the elimination of redundant administrative processes, as well as the ability to reach a larger service base and derive more revenue. Sharing services may also build a closer relationship between municipalities that leads to greater availability of resources. For example, municipalities that share water services may have connections to additional backup water supply sources.

Municipal collaboration may encourage more standardized regulations across municipalities. At the same time, regulatory, technical, or administrative incompatibilities may hinder shared services for some municipalities. For example, sharing a building inspector can be challenging if municipalities have differing building codes or software. In the area of stormwater management, collaboration has produced more uniform and consistent regulatory standards across the region, making it easier for agencies to comply with state standards.

Finally, sharing services can produce fiscal benefits, including revenue increases from providing a service for another municipality, or savings from reduced capital investment costs. These benefits may be realized through activities such as joint bidding or shared provision.

Joint service delivery agreements are both a driver and an outcome of municipal capacity. Some capacity is required to pursue and manage shared service agreements—thus the agreements are an outcome. However, service sharing can free up capacity for municipalities to execute on other objectives—thus it is also a driver of additional capacity. Articulating strategies to increase the effective, equitable, and widespread use of shared service agreements may be a valuable way ON TO 2050 can increase municipal capacity throughout the region. However, given the observation that initiating service sharing can be daunting for

**Criteria for entering into partnerships**

A scan of service-sharing agreements in the region revealed three general criteria for entering into intergovernmental partnerships:

- 1) Residents have deemed sharing services as desirable.
- 2) Sharing has or will have no adverse effect on the quality of service already being provided to residents of the "provider population."
- 3) Service terms are based upon a fully allocated cost structure that includes capital costs on a current/most recent replacement basis.

lower-capacity communities, it may be prudent for CMAP and other partners to focus their initial efforts on providing support for lower-capacity communities in the near-term.

There has long been a culture of service sharing and partnership between municipalities in the region, particularly informal agreements between neighbors. Formal agreements also exist; some counties, COGs and municipalities have laid out clear criteria and structures for entering into intergovernmental agreements (IGAs).<sup>4</sup> Both informal and formal agreements can be effective ways to leverage greater capacity. While certain joint actions will necessitate an IGA due to complexity, municipalities often initiate successful partnerships without a formal agreement. Finally, many communities have identified a need for service-sharing agreements, but have yet to make the leap to formalize a partnership.

Many municipalities may not utilize partnerships because they lack the resources to analyze potential opportunities. They may not know where to begin such initiatives, what services may be compatible for sharing with a neighbor, how to develop contractual paperwork, or which existing partnerships they might be able to join. Some municipalities may benefit from technical assistance to help launch a new partnering initiative. In 2015, the villages of Oswego and Montgomery and the United City of Yorkville utilized CMAP's LTA program to identify opportunities for service sharing between the communities and develop a plan for orienting staff culture to seek partnering opportunities. The resulting Lower Fox River Partnering Initiative Shared Services Study began the process of forming the Lower Fox River Partnering Initiative to oversee long-term cooperation among the communities.<sup>5</sup>

Despite the challenges articulated above, local governments that currently and historically have shared services, staff and infrastructure have yielded significant benefits. For example, the six south suburban communities served by the Thorn Creek Basin Sanitary District have seen significant cost savings over an extended period through consolidated sewage treatment services.<sup>6</sup> Another example is the Municipal Partnering Initiative, a group of 18 municipalities in northern Cook County and Lake County that have been collaborating on shared services and joint-procurement since 2010.

## Consolidation

Illinois has between 6,963 and 8,516 units of local government, according to estimates by the U.S. Census and State.<sup>7</sup> This is a byproduct of the Illinois Constitution of 1870, which placed

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<sup>4</sup> For example, several COGs in the region, including the Northwest Municipal Conference, DuPage Mayors and Managers Conference, South Suburban Mayors and Managers Association, and Will County Governmental League, have formed the Suburban Purchasing Cooperative to facilitate the joint purchase of property, supplies, and services for participating communities, creating economies of scale in terms of pricing and staff resources. The cooperative is centrally operated by the Northwest Municipal Conference with shared oversight from the other participating COGs.

<sup>5</sup> CMAP. *Lower Fox River Partnering Initiative Shared Services Study*. October 2015, <http://cmap.is/2AC2xHq>.

<sup>6</sup> Metropolitan Mayors Caucus. [\*Northeastern Illinois Local Government Shared Services Survey Report\*](#) (July 2015), 25.

<sup>7</sup> Estimates vary because each includes different types of jurisdictions and agencies in their count. See U.S. Census Bureau, "Individual State Descriptions: 2012," September 2013, <https://www2.census.gov/govs/cog/2012isd.pdf>; and

severe restrictions on the borrowing and spending powers of local governments. Illinois experienced substantial population growth during the 20th century, and communities soon required more public services than governments could fund under these restrictions. In response, state lawmakers authorized the creation of special districts by severing services from overwhelmed counties, municipalities, and townships. These special districts allowed communities to satisfy the state's expenditure and debt limits while still fulfilling the growing demand for services. Some of the services special districts provide include fire protection, water treatment, parks, and mosquito abatement. Consequently, one community may have more than a dozen different units of government providing services.

While the most recent Illinois Constitution of 1970 alleviated the local government debt and expenditure limits, the large number of local governments continues to exist today. Having so many units of government is not necessarily a problem. However, to the extent that small adjacent jurisdictions providing the same services results in higher costs or lower overall municipal capacity, or that the presence of overlapping units of government is associated with insufficient civic participation,<sup>8</sup> the structure of local government in the region could be improved. One of the proposed solutions to so many units of government is local government consolidation.

Local government units may consolidate to produce cost savings, increase efficiency, improve resources and accountability, or enhance service delivery. Vertical consolidation between municipalities and other overlapping local governments (e.g. special districts or townships), through which the municipality picks up service delivery from a dissolving unit, does not necessarily increase the capacity of the municipal government. Rather, consolidation could result in enhanced service delivery or cost savings for the community as a whole if the units had existing complementary services. Horizontal consolidation of adjacent municipalities could increase the capacity of the municipal government through combining resources and tax base.

No existing municipalities in the region have consolidated in recent history, but consolidation has been explored by various local governments. A few local initiatives have moved forward, including the consolidation and elimination of several single-purpose units of government in DuPage County. While the State of Illinois has studied local government consolidation, no state programs directly fund or provide assistance for local government consolidation efforts.

If the availability of federal and state funding resources becomes more constrained in the future, other local governments may follow the example of prior successful consolidation initiatives.

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the website for the Illinois Office of the Comptroller, "Types of Local Governments in Illinois," <http://illinoiscomptroller.gov/services/local-government-division/types-of-local-governments-in-illinois>.

<sup>8</sup> For example, it may be difficult or even impossible to attend board meetings for a multitude of units of government if they occur at the same time. In addition, there may not be a sufficient number of candidates in local government elections, resulting in uncontested races or unfulfilled seats. See Katlyn Smith and Jake Griffin, "Are there enough candidates to do the job in your town?" Daily Herald, April 3, 2017, <http://www.dailyherald.com/article/20170403/news/170409837/>.



Local governments must consider many factors in any potential consolidation on a case-by-case basis. The following describes some of the base-level considerations that should factor into initial conversations about a consolidation effort. Other factors also influence the feasibility of a consolidation effort, including bonded indebtedness, variation in regulations and codes, employee benefit differences, infrastructure conditions, and legal issues.

**Local desire.** Interest in consolidating from local residents and civic leaders is important to achieve a successful consolidation effort. In 2017, local elections gave voters the opportunity to approve consolidation efforts in several parts of the region, including a merger of Naperville and Lisle townships' road districts.<sup>9</sup>

**Extensive existing partnerships.** Local governments that are already sharing services, implementing infrastructure projects together, or engaging in joint contracts have many elements already in place and have proven that the entities are capable of working together. Communities across the region have put an increasing emphasis on partnerships as a way to combine resources, increase efficiency, and improve service delivery. Some of these efforts may lead to interest in consolidation. For example, the Lisle-Woodridge and Darien-Woodridge fire protection districts have implemented an intergovernmental agreement to share staffing and resources, including consolidating their eight fire stations into seven for a trial period.<sup>10</sup> After completing a consolidation study,<sup>11</sup> the entities decided to operate jointly because they were not ready to consolidate.<sup>12</sup>

**For overlapping districts: complementary services.** Local governments that have complementary services may be able to improve programming or reduce costs by consolidating through coordinating programs. For example, the City of Evanston was uniquely positioned to take on the responsibilities of Evanston Township, as the City already had several social service programs that could be coordinated with township's general assistance programs.<sup>13</sup>

**For adjacent districts: similar tax base and services.** Neighboring local governments that have similar levels of service may gain efficiencies and resources by consolidating. However, dissimilar service levels and/or tax bases may result in an increased property tax burden for taxpayers located in the district with lower levels of service or a higher tax base. For example, McHenry County Board voted in 2015 against a ballot question that would have consolidated

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<sup>9</sup> CMAP, "Voters consider consolidation and open space measures," April 7, 2017, <http://cmap.is/2yW8tP7>.

<sup>10</sup> Lisle-Woodridge Fire Protection District, "Functional Cooperation," <http://www.lwfd.org/News/Functional%20Cooperation.pdf>.

<sup>11</sup> Illinois Fire Chiefs Association Consulting Service, *Consolidation Study for the Darien Woodridge & Lisle Woodridge Fire Districts*, 2015, <http://cmap.is/2hzDmRT>.

<sup>12</sup> Intergovernmental Automatic Response Agreement between the Lisle-Woodridge Fire Protection District and the Darien-Woodridge Fire Protection District, April 25, 2017, <http://cmap.is/2hxlfj5>.

<sup>13</sup> City of Evanston, "The Dissolution of the Evanston Township," August 1, 2016, <https://www.cityofevanston.org/home/showdocument?id=11932>.

the County's 17 townships into eight.<sup>14</sup> One of the stated reasons was that differential tax bases may have resulted in a property tax increase for taxpayers in some of the townships.

**For adjacent districts: limited potential for growth.** Built-out jurisdictions may benefit from joining forces with neighbors to combine resources and tax bases. For example, some municipalities recently have experienced stagnant growth in their populations, local employment, or tax bases, while public investment needs have continued to grow. Efficiencies and cost reductions realized through consolidation may help mitigate the effects of low growth. Such consolidations also may increase a community's capacity by creating opportunities to hire staff dedicated to specific concerns, such as community development, economic development, or planning.

### **Recruitment and training of staff and elected and appointed officials**

Professional staff development, recruiting practices, and knowledgeable elected and appointed officials are crucial drivers of municipal capacity. Good professional development and recruitment practices can help municipalities attract, retain, and cultivate the appropriate number of qualified staff. Without proficient staff and knowledgeable elected and appointed officials, municipalities are ill equipped to complete projects, and may lack the ability to undertake important initiatives such as creating a capital improvement plan or updating a comprehensive plan.

Professional development helps foster positive staff morale while increasing the capabilities of staff. There is no standardized set of professional development practices for municipalities in the region. Many municipalities offer some form of “in-house” training, and support employee attendance of outside programs such as conferences and seminars hosted by professional organizations. A combination of in-house training, outside resources, and a formalized training plan enables municipalities to utilize their staff effectively, and unlocks additional capacity by preparing staff to take on new and different projects.

Municipal staff that participated in the resource group and focus groups stated that professional development is a priority and acknowledged its importance in achieving community goals. However, the awareness of and ability to attend available trainings depends on the capacity of staff. Staff with limited familiarity with such resources attend fewer training events, which halts individuals’ development and freezes municipal capacity. Many municipalities lack the resources to provide in-house trainings or to fund the cost for employees to attend external programs.

Staffing and recruitment practices are also important components of municipal capacity. Lower capacity communities may not be able to offer competitive salaries, or attract the most qualified candidates to fill a position. Some municipalities with budget constraints may choose not to fill

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<sup>14</sup> McHenry County Board, Minutes, October 6, 2015, <http://mchenrycountyil.ig2.com/Citizens/FileOpen.aspx?Type=12&ID=2877&Inline=True>.

vacancies, distributing the work among existing staff or leaving a service unfulfilled. Strong human resource practices, including regular performance evaluation, compensation review, and merit increase, can ensure a culture where staff are held accountable, professional development is encouraged, and expertise and achievement are recognized and rewarded. Promoting dynamic leadership in this way helps a municipality compete with other units of government as well as private sector companies in recruiting and retaining quality individuals.

Finally, the knowledge and support of elected and appointed officials has a strong effect on the success of a municipality's staff to achieve community goals. However, some municipalities experience frequent turnover of elected and appointed officials and few are able to offer ongoing trainings on municipal operations. It is important that these officials are aware of all aspects of municipal operations, including how they intersect with one another and relate to the community's values, priorities, and long-range plans. Today, the region has an unmet need for large-scale support of training for elected and appointed officials on municipal operations, economic development, and long-range planning.

In recognizing the importance of such training, some states, including New York, Tennessee, Maryland, and South Carolina, even require planning commissioners to complete trainings on a regular basis. APA-Illinois has identified such legislation as a needed priority, and has begun advocacy to establish such a requirement for appointed officials in Illinois.

## **Tax policy and fiscal condition**

When a municipality's revenues are strong relative to their public service needs, they will have an easier time maintaining their fiscal condition, and may find that they have greater capacity to achieve planning objectives. Illinois municipalities receive revenue through state disbursements of several revenue sources, and can raise revenues through local taxes, fees, fines, and licenses. Communities depend on local revenues to fund the public service and infrastructure investments that attract and retain residents and businesses. However, municipal tax structures vary, with most primarily reliant on property tax revenue, and others reliant on sources such as state sales tax disbursements or local utility tax revenue.<sup>15</sup> Moreover, the amount of revenue municipalities collect varies throughout the region and depends on the composition of their tax structures as well as what levels of service their communities desire.

Level of service notwithstanding, several tax structure factors drive divergences in revenue levels across municipalities, including tax base, land uses, and state criteria for revenue disbursements to municipalities. Because municipalities generate revenue by applying tax rates to different types of tax bases, such as retail sales, utility consumption, and property value, municipalities with large tax bases have the potential to generate sufficient revenue without extremely high tax rates. High local tax rates can prompt a cycle where new businesses or

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<sup>15</sup> CMAP, "Municipal Reliance on Property, Sales, and Income Taxes and Their Relative Stability," February 5, 2015, <http://cmap.is/2naSFgX>.

residents do not locate in a community, resulting in a tax base that grows more slowly than the cost of public services, which can have a negative effect on the capacity of a municipality.

State statutory criteria for revenue disbursements to municipalities also drive divergences, as the criteria used are not always related to the level of public services required or to a municipality's capacity to raise its own revenue from its own tax base. For example, sales tax revenue is disbursed by the state based on where sales are generated. Particularly when combined with other tax revenues generated from retail development, these revenues often significantly exceed a municipality's costs for providing services to that development.<sup>16</sup> This criteria also provides more revenue to municipalities with stronger sales tax bases that may not have the capacity to raise sufficient revenue from their own tax bases.

Relatedly, revenue levels may also vary based on a municipality's land use mix.<sup>17</sup> A particular land use type, such as industrial development, may not generate substantial municipal revenues despite its importance to local and regional economic conditions. Discussions with the Resource Group and focus groups highlighted that the potential for revenues generated by various taxes can influence municipalities' land use decisions and development projects, which in turn affects their budgets. Communities with substantial retail development may be able to rely heavily on sales tax revenues, while communities that are heavily residential or industrial may struggle to generate sufficient revenues from property taxes or state revenue disbursements. The Resource Group also emphasized that the volatility of sales tax revenues is a concern. The stability of sales tax revenue depends on the economic cycle and associated fluctuations in consumption, but also can be affected by the existence of excess retail capacity regionwide, which can result in retail vacancies. On the other hand, revenues such as those generated by a property tax are more stable, and allow municipalities to maintain public services as well as existing tax rates and levies even during difficult economic periods. Focus group participants asserted the importance of establishing a long-term perspective for financial administration. Long-term planning by elected officials and finance staff who understand its value was cited as a fundamental element of sustainable municipal budgeting.

## Infrastructure

One of the primary functions of a municipality is to build and maintain public infrastructure, which includes transportation, water, sewer, stormwater, and public buildings. However, many municipalities lack capacity to fund improvements to municipal infrastructure and to properly prioritize infrastructure investments.

Infrastructure projects require a variety of activities, including project planning and pre-development services that precede the engagement of design professionals or builders. Expertise in law, procurement, finance, compliance, land acquisition, entitlement, abatement, demolition, remediation, utility coordination, and project planning services also may be

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<sup>16</sup> CMAP, *Fiscal and Economic Impact Analysis of Local Development Decisions*, January 2014, <http://cmap.is/2mfrlPw>.

<sup>17</sup> For further discussion, see CMAP, *Tax Policies and Land Use Trends*, March 2017, <http://cmap.is/2yY32ze>.

required to develop the project. Not all municipalities have the staff expertise and capacity to perform this project-related due diligence work in addition to their other responsibilities. Identifying funding to engage in some of these early phases of infrastructure projects, as well as matching federal funding sources, can be difficult for some municipalities. Programs like Cook County's Invest in Cook program can provide funding for these activities.

### ***Transportation***

Municipal transportation infrastructure primarily includes roadways, although several municipalities also provide some local transit services. While data on road condition are often available for state and county roads, there is no comprehensive source of condition data for municipal roadways. At the same time, some communities have difficulty funding roadway maintenance and improvements, as basic services account for an increasing proportion of their budgets. Many rely on state motor fuel tax disbursements and local sources like property taxes to support these improvements, but do not impose their own transportation user fees.

### ***Water and stormwater***

Despite the close connections between them from a water management perspective, water, wastewater, and stormwater systems are managed and funded very differently from each other throughout northeastern Illinois, and from community to community. As general rule, the same conditions examined above for transportation infrastructure apply here as well: Many communities lack robust asset management plans, only have resources sufficient for basic maintenance, and are facing rising costs.

With some exceptions, water supply systems largely correspond with municipal borders, are managed as a department of the municipal government, and are supported through enterprise funds that use revenues generated from the water systems to fund the system. Revenue to operate, maintain, and invest in that municipality's water systems is derived largely from the sale of water to residents, businesses, and other consumers within that community — and, in some instances, by selling water to neighboring communities. While sales of water can increase or decrease due to shifts in population, economic conditions, weather patterns, or conservation ethics, the total amount of pipes, pumps, and other infrastructure in the system typically does not change. A community with declining residential population and declining water consumption more broadly will invariably struggle to generate enough revenue to manage its water system. As water systems age, they become increasingly inefficient, and the risk of public health issues such as a lead exposure increase. Conversely, growing communities at the edge of the region also expand but often not at densities that can support maintenance and eventual replacement of this infrastructure.

Most municipalities control at least a portion of their wastewater system, often maintaining sewer lines under local streets to the point of intersection with an interceptor pipe, at which point a subregional wastewater reclamation district often takes over (although some municipalities maintain the entire system.) Local sewer lines, like local water supply lines, are often paid for through water bills, and thus the same issues of declining revenues comes into play here. Wastewater issues are also compounded by stormwater runoff and groundwater

infiltration, which can affect wastewater systems in unaccounted-for ways. Stormwater and groundwater entering wastewater systems increases treatment costs, which can motivate a community to expand its wastewater treatment system. As communities almost never tie stormwater management to a revenue stream, this means more infrastructure to build and maintain with insufficient revenue to support it. Finally, stormwater issues are worsening in the region as one result of climate change and resulting shifts in precipitation patterns, as well as a general increase in impermeable surfaces.

These are generalizations, but in a region with more than 300 documented water supply utilities alone, and with a substantial portion of stormwater and wastewater infrastructure managed by 284 separate municipalities, generalizations are necessary. Fragmented management of the water cycle results in a very large, complicated, and expensive burden on every community. A host of issues, including precipitation, geology, and the water rate of a neighboring community, affect a municipality's water consumption and costs, groundwater levels, and leakage amounts. Reliable data are not readily available, either. Even a dataset as robust as the Illinois Department of Natural Resources' annual collection of usage information for Lake Michigan water is to be viewed with skepticism, as there is so much variation in how communities report.<sup>18</sup>

However, the region has moved to resolve some of the capacity issues related to water infrastructure. The existence of regional or subregional wastewater agencies, such as the Metropolitan Water Reclamation District of Greater Chicago or Fox Valley Water Reclamation District, speaks to the economies of scale present in the complicated endeavor that is wastewater treatment. On the supply side, the DuPage Water Commission, Central Lake County Joint Action Water Agency (JAWA), and Northwest Suburban JAWA all provide examples of consolidated service. Stemming from a recent LTA study, the communities of Montgomery, Oswego and Yorkville are investigating sharing water services.<sup>19</sup> Unlike some other forms of municipal infrastructure, investor-owned water companies manage some water systems. Communities can consider these options when determining how best to manage and improve their water management systems.

### ***Asset management and planning***

Given limited resources, it is important for municipalities to prioritize infrastructure maintenance projects in a cost-effective manner. Municipalities can accomplish this through effective asset management. Asset management is "a strategic and systematic process of operating, maintaining, and improving physical assets, with a focus on both engineering and economic analysis based on quality information, to identify a structured sequence of maintenance, preservation, repair, rehabilitation, and replacement actions that will achieve and sustain a desired state of good repair over the lifecycle of the assets at a minimum practicable

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<sup>18</sup> For further discussion, see MPC, *Immeasurable Loss: Modernizing Lake Michigan Water Use*, May 2013, <http://www.metroplanning.org/multimedia/publication/674>.

<sup>19</sup> John Etheredge, "Montgomery backs shared, regional water plant," *Kendall County Now*, October 19, 2016, <http://www.kendallcountynow.com/2016/10/13/montgomery-backs-shared-regional-water-plant/a86w6jp/>.

cost.”<sup>20</sup> Asset management systems help to minimize the lifecycle costs necessary to attain asset performance goals, and can be used to develop capital improvement plans or identify when additional revenue may be required to maintain system condition. However, not all municipalities have asset management systems, such as pavement management systems or processes to manage water infrastructure. Many municipalities lack the resources, skills, and technical capabilities, such as geographic information systems, to institute asset management processes.

Creating CIPs can help guide and prioritize large-scale capital and infrastructure improvement projects over a period of years. While CIPs are a critical need for all municipalities in the region, CMAP’s 2016 municipal survey indicated that just three-quarters of responding municipalities identified developing or updating a CIP as a priority.<sup>21</sup> At the same time, two-thirds of municipalities have an existing CIP, although there is no data on the processes or systems used to create those CIPs.

### **Partnerships**

Some shared infrastructure projects may be a collaboration of several municipalities that do not have the capacity to host the infrastructure themselves. The region has begun to explore the potential for municipalities to jointly develop and deliver key infrastructure projects or aggregate smaller infrastructure projects, whether for water, sewer, road, lighting, or municipal buildings. This strategy can allow municipalities to meet a minimum project cost threshold to finance the project or to attract private infrastructure investors for a potential public-private partnership. Alternatively, municipalities that need their own financing can work with the Illinois Finance Authority through their Pooled Bond Program to secure lower borrowing costs. Bundling projects or collaborating with neighbors on a single project may help municipalities achieve efficiencies in implementation and realize savings in maintenance and operation.

Municipalities in the region often already share infrastructure to deliver vital services, resulting in capital cost savings and lower operational costs through economies of scale. Large-scale water treatment and processing, stormwater, and sewage facilities exist to create a high standard of service throughout the region. Shared emergency dispatch centers house both the staff and systems to serve numerous municipalities. GIS and other IT systems and servers can be co-located for multiple local governments, creating maintenance efficiencies.

## **Capacity-building programs in other states**

Many metropolitan planning organizations (MPOs) and state governments across the nation have created programs to increase capacity for the communities within their respective regions

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<sup>20</sup> Chicago Metropolitan Agency for Planning, “Transportation Asset Management: State of the Practice, Policy Options, and MPO Role,” November 11, 2016, [http://www.cmap.illinois.gov/documents/10180/595578/TC\\_memo2\\_AssetManagement\\_20161111.pdf/4dee2f38-2a22-4f2b-9b1c-0b259b5b1aed](http://www.cmap.illinois.gov/documents/10180/595578/TC_memo2_AssetManagement_20161111.pdf/4dee2f38-2a22-4f2b-9b1c-0b259b5b1aed).

<sup>21</sup> CMAP analysis of 2016 Municipal Survey.

and states. The following describes some efforts that could be considered in northeastern Illinois.

## **Metropolitan planning organization efforts**

Many MPOs provide a variety of technical assistance initiatives that CMAP also provides. With additional resources, some types of assistance provided by other MPOs could be provided in northeastern Illinois by either CMAP or another entity, such as nonprofit partners, counties, or councils of government. These programs include:

- Shared service and group purchasing facilitation
- Direct funding for implementation projects
- Provision of supplemental planning staff support
- Trainings that assist municipalities in pursuing local and regional goals.

A core function of all MPO programs is to implement the regional comprehensive plan, and many MPOs focus all activities on implementation of plan recommendations. For example, projects selected for technical or direct financial assistance must help achieve plan goals. Several MPOs, however, have created programs to assist local partners in implementing regional plan goals at the local level in a more direct manner than their peer organizations. The intent of these programs is to assist municipalities in the short term, while building lasting capacity to understand plan goals and advocate for their implementation in the long term. For example, Philadelphia's Delaware Valley Regional Planning Council (DVRPC) created the Municipal Outreach Program to assist local governments in implementing regional plan recommendations, with specific attention to lower-capacity communities.<sup>22</sup> DVRPC created a guidebook for the program and performed outreach and trainings to clarify implementation strategies and objectives. DVRPC funded this work from the same sources used for development of their long-range plan, and funds ongoing plan implementation efforts, such as the Municipal Implementation Toolkit (MIT) database, from the same sources.<sup>23</sup>

MPOs provides technical assistance to municipalities in a variety of formats to meet a diverse set of goals. For example, the Mid-America Regional Council (MARC) in Kansas City, Missouri, employs staff to negotiate contracts and administer a cooperative buying program for its member municipalities through its KC Regional Purchasing Cooperative.<sup>24</sup> This program is self-supporting through revenue generated by administrative fees built into contracts. MARC also created the Small Cities Program, which provides technical assistance, including supplemental

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<sup>22</sup> Delaware Valley Regional Planning Commission, "Municipal Outreach Program," <http://www.dvrpc.org/MunicipalOutreach>.

<sup>23</sup> Delaware Valley Regional Planning Commission, "Municipal Implementation Toolkit," <http://www.dvrpc.org/MIT/>.

<sup>24</sup> Mid-America Regional Council, "Overview: KC Regional Purchasing Cooperative," <http://www.marc.org/Government/Cooperative-Purchasing/About-KCRPC/Overview>.



planning staff, to lower-capacity municipalities.<sup>25</sup> Many MPOs offer trainings for municipal staff and officials across a variety of topics, ranging from computer skills to staff management and leadership. To promote asset management in their region, the Central Massachusetts Regional Planning Council provides pavement management technical assistance to municipalities seeking to implement such a program.<sup>26</sup> To fund implementation of local and regional objectives, Minnesota's Metropolitan Planning Council awards Livable Communities Grants funded through a property tax levy, enabled by state legislation in 1995.<sup>27</sup>

Administering programs and providing resources that help municipalities build their capacity can advance regional plan implementation. Initiatives undertaken by MPOs across the nation offer a breadth of options for new initiatives to increase municipal capacity within the Chicago region. Any new initiative at CMAP should support implementation of the goals of ON TO 2050. Some initiatives undertaken by peer MPOs may be beyond CMAP's ability to implement, given constraints on eligible assistance types with existing funding sources. However, some of CMAP's peer organizations have implemented these efforts as self-supporting programs via administrative fees. Others have access to operating revenues that are more flexible than CMAP's existing funding sources. Additionally, certain issues, such as management training or implementation of best practices for fiscal management, would be better addressed by other entities due to their priorities and expertise. In these cases, government and civic partners would be needed to fully implement capacity-building initiatives.

## State government efforts

While Illinois has improved state laws that govern local government consolidation, it has not funded state programs that would encourage the practice. Several states, such as Michigan, New York, and Ohio, have pursued initiatives to promote and provide incentives for government consolidation by enacting legislation and awarding grants.<sup>28</sup> The following section highlights efforts in New York.

The 2009 New York State Government Reorganization and Citizen Empowerment Act provides a procedural outline for the consolidation or dissolution of local governments.<sup>29</sup> The act affects towns, villages, special districts, special improvement districts, library districts, and others

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<sup>25</sup> Mid-America Regional Council, "Overview: Small Cities Program," <http://www.marc.org/Government/Local-Government-Services/Small-Cities/Overview>.

<sup>26</sup> Central Massachusetts Regional Planning Commission, "Pavement Management," [http://www.cmrpc.org/pavement\\_management](http://www.cmrpc.org/pavement_management).

<sup>27</sup> Metropolitan Council, "Livable Communities Grants," <https://metro council.org/Communities/Services/Livable-Communities-Grants.aspx>.

<sup>28</sup> For examples in Michigan and Ohio, see Michigan Department of Treasury, "Competitive Grant Assistance Program," [http://www.michigan.gov/treasury/0,4679,7-121-1751\\_2197\\_58826\\_62422---,00.html](http://www.michigan.gov/treasury/0,4679,7-121-1751_2197_58826_62422---,00.html), and Ohio Development Services Agency, "Ohio Local Government Innovation Council," [https://development.ohio.gov/cs/cs\\_localgovfund.htm](https://development.ohio.gov/cs/cs_localgovfund.htm).

<sup>29</sup> New York State Department of State, "The New N.Y. Government Reorganization and Citizen Empowerment Act," June 2009, <https://www.dos.ny.gov/lg/publications/ConsolidationDissolutionLaw.pdf>.

created by law. As part of the act, a local government entity can be dissolved through a resolution from a governing body, through a local government entity in a proposed dissolution plan, or by referendum. The Citizen's Guide to Petitioning for Local Government Consolidation or Dissolution outlines and promotes the process by which citizens could petition for public vote on dissolving or consolidating local governments.<sup>30</sup>

The act also created the competitive Local Government Efficiency Grant Program (LGE) to provide incentives for consolidation, and the noncompetitive Local Government Citizens Reorganization Empowerment Grant to fund the study of potential consolidations.<sup>31</sup> The LGE grant program provides technical assistance and awards to local governments to develop projects that achieve cost savings and improve efficiency through cooperative agreements, mergers, consolidation, and dissolutions. More than 20 municipalities have taken advantage of the program, studying the merits of consolidation and dissolution of governmental units. Since that act was implemented, several municipalities in New York have dissolved,<sup>32</sup> including jurisdictions that received assistance from the LGE in conducting consolidation studies.<sup>33</sup>

Funds are also appropriated for Citizen Empowerment Tax Credits that provide an annual aid bonus equal to 15 percent of the newly combined local government's tax levy, with a minimum 70 percent of the funding allocated for direct relief to property taxpayers. The Municipal Consolidation and Efficiency Competition launched in 2016 to build consortia wishing to pursue consolidation, shared services, and local government modernizations.<sup>34</sup> The consortia compete for a \$20 million award to implement consolidation and shared service plans. During Phase I of the competition, six consortia received funds to complete a Municipal Consolidation and Efficiency Plan. During Phase II of the competition, the consortia's plans, which include consolidation, dissolution, and consolidating or sharing services, will be evaluated.

## Capacity building themes

Through the course of the qualitative and quantitative research conducted for this strategy paper, three themes emerged that are useful in thinking about both the capacity-building needs of municipalities and the kinds of actions they and other government and non-government

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<sup>30</sup> New York Division of Local Government Services, "The Citizen's Guide to Petitioning for Local Government Consolidation or Dissolution," June 2009, <https://www.dos.ny.gov/lg/publications/CitizenGuidetoPetitions.pdf>.

<sup>31</sup> New York Division of Local Government Services, "Local Government Efficiency Program," <https://www.dos.ny.gov/LG/lge/index.html>.

<sup>32</sup> New York Division of Local Government Services, "Villages dissolved since 1900 and incorporated since 1940," <https://www.dos.ny.gov/lg/village-inc-diss.html>.

<sup>33</sup> New York Division of Local Government Services, "Local Government Efficiency Program Studies and Reports," [https://www.dos.ny.gov/lg/lge/Case\\_Studies.html#consolidationdissolution](https://www.dos.ny.gov/lg/lge/Case_Studies.html#consolidationdissolution).

<sup>34</sup> New York Department of State, "Municipal Consolidation and Efficiency Competition," <https://www.dos.ny.gov/funding/rfa-16-lge-15/MCEC%20Guidance%20112816.pdf>.

actors can take to build their capacity. These themes, each represented by an icon, are described below; and the strategies that follow correspond to one or more of the three themes.

## Expertise building



Professional staff, elected officials, appointed officials, and citizens are all involved in making local government decisions. Some of these individuals have high levels of training and specialization in municipal operations and public administration. For those people, programs and offerings to keep current and at the leading edge of their fields are very important, and many of the professional organizations present in the region do an excellent job providing continuing education. For others, such as newly elected officials from a different professional background, opportunities to learn about fundamentals and best practices are more crucial.

Strategies that correspond to the theme of expertise building speak to the need for a wider array of technical assistance and training for staff, as well as elected and appointed officials. Recommendations include supporting professional development of staff, creating relevant trainings for elected officials, and other measures to increase awareness and use of best practices in planning, budgeting, and other facets of public administration.

## Network building



Not surprisingly, many of the success stories in shared services, joint staffing, or other means of building local capacity depend upon municipalities forging trusting relationships with and understanding the needs of other municipalities. Creating connections between the staff and officials of neighboring communities can lead to joint solutions, but those networks do not simply come into being. Successful networks require some amount of maintenance, with varying levels of formality. Where such relationships do not exist, a partner could assist by providing opportunities for municipalities to convene and consider potential partnerships. For new staff or first-time elected officials, it can also be very useful to have a mentor.

Recommendations that correspond to the theme of network building speak to the need for consistent forums for communities to meet and discuss common challenges and shared needs. Other suggestions include tools, such as an online database of existing shared service contracts, to prompt new partnerships.

# Capability building



Having the right tools, sufficient fiscal resources, appropriate resources to plan and conduct studies, and the people power to implement also makes a huge difference. However, that does not mean that every community needs additional staff to affect change and build capacity. Staff assistance from CMAP or some other entity, staff and service sharing between communities, and consolidation of services or even whole units of government are all legitimate options for consideration.

Recommendations that correspond to the theme of capability building focus on finding creative, effective solutions to build people power, and on providing tools and resources to support sharing staff or services and to consider consolidation where prudent and desired.

## Implementation partners

Improving the capacity of municipalities across the region will require work from a broad set of institutions and governments. In addition to municipalities themselves, entities like the State of Illinois, CMAP, counties, councils of government, MPC, and other civic organizations will be needed to help implement the strategic framework described below.

**State of Illinois.** State government performs a broad range of functions and has authority and flexibility to implement programs to help municipalities. In some cases, statutory authorization or annual appropriations may be necessary—and these barriers can be overcome. In fact, members of the Illinois General Assembly and the Governor have both shown interest in recent years in promoting efficiencies at the municipal level and resolving statutory barriers to local government consolidation. This presents an opportunity to consider other statutory changes that could provide incentives to encourage municipalities to share services or consolidate, or appropriate funds to institute state-level programs.

**Counties.** County governments are diverse in terms of their own capacity as well as priorities. The region's counties currently provide a broad range of services to municipalities and their residents and businesses, including the delivery of a variety of services on behalf of municipalities. County staff often are well positioned geographically and have sufficient capacity to play a central role in assuming the service delivery needs of municipalities seeking to consolidate certain services. Some counties take an active role in building local municipal capacity, such as Cook County's Invest in Cook program, which provides technical and financial assistance for local projects in disinvested areas that align with Long Range Transportation Plan priorities. Others provide staff and elected official trainings or collaborate with COGs to provide trainings.

**Councils of government.** COGs across the region range from organizations with several programs supported by a dozen staff members to single employee operations. Smaller COGs may simply serve fewer municipalities or may have different priorities than larger COGs. For example, some COGs focus primarily on promoting subregional issues and fostering intergovernmental communication, but do not provide much assistance with services. Many COGs play a coordinating role for legislative advocacy. Even across the larger COGs, programs and services vary. Thus, some of the strategies discussed below may be a good fit for COGs in some areas of the region, but not others. In fact, several COGs already assist their members with initiatives such as joint procurement.<sup>35</sup> In some areas, another entity such as the county may be more appropriate to lead these types of efforts than the COG. Alternatively, smaller COGs could collaborate to provide some of the services or programs that would support the strategies outlined in this paper.

**Civic community.** Organizations such as the Metropolitan Planning Council, Metropolitan Mayors Caucus, Civic Federation, Better Government Association, and others offer an array of services such as convening, research, fiscal analysis, GIS, and mapping. These existing resources could be brought to bear to achieve many of the recommendations in this report. These groups and their missions are diverse, and their ability to support capacity building at the local level will depend on availability of funding, mission alignment, and their own capacity. These groups often receive funding from mission-driven foundations, such as the Chicago Community Trust and Grand Victoria Foundation, so the desire of these and other potential funders to engage in a focused initiative to build municipal capacity would be instrumental to advance many of this paper’s recommendations.

**Chicago Metropolitan Agency for Planning.** CMAP is committed to helping implement plan recommendations, including providing local technical assistance, policy research, and legislative analysis, but is constrained by its sources of funding. The vast majority of CMAP’s revenue comes from federal Unified Work Program funds, matched by state Road Funds and local dues. Working on many elements of municipal capacity, especially those that go beyond the transportation system and overall built environment, would require the agency to secure additional sources of funding.

## Strategic framework

The three guiding principles above—expertise building, network building, and capability building—set the foundation for developing recommendations to build more municipal capacity across the region to implement local and regional goals. The recommendations fall into five areas:

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<sup>35</sup> The Suburban Purchasing Cooperative is a joint program of Northwest Municipal Conference, DuPage Mayors and Managers Conference, South Suburban Mayors and Managers Association, and Will County Governmental League. See <http://www.nwmc-cog.org/Suburban-Purchasing-Cooperative.aspx>.

- Enhance technical assistance offerings and resources
- Prioritize training of municipal officials and staff
- Support service sharing and consolidation
- Ensure municipalities can effectively maintain and enhance their infrastructure
- Address fiscal condition

The strategy recommendations presented below are meant to improve the capacity of municipalities to ensure services are provided on a sustained basis in the pursuit of local and regional objectives. For many of these strategies, CMAP could function as the implementation lead. Other strategies could be led primarily by one of the implementation partners described above. For those strategies, the partners are noted.

## Enhance technical assistance offerings and resources

ON TO 2050 should include recommendations for CMAP and partners to provide technical assistance and resources that build municipal capacity. These recommendations should build on the strengths of the LTA program and CMAP’s existing partnerships to provide enhanced offerings, with partners, that help the region’s municipalities overcome barriers, elevate the quality of provided services, and fully participate in the region’s economy.

### ***Build on the success of CMAP’s LTA program.***



CMAP should pursue funding to support the LTA program, specifically for substantive projects to promote municipal capacity building, service sharing and consolidation, potentially leveraging state or county resources.

To help lower capacity municipalities implement intensive planning projects, such as a comprehensive plan, CMAP should find new ways to provide assistance through the LTA program. CMAP could provide a series of smaller scale assistance products (such as planning priorities reports, trainings, workshops, efficiency audits of development review processes, and other assessments) that incrementally build a municipality’s planning capacity, and better prepare them to undertake larger, more intensive projects.

CMAP should include an implementation session at the conclusion of all LTA projects, to clarify the roles of implementers, sequencing of projects, and purpose of each implementation action. Attendees should include elected officials, staff, relevant commissions, COG and County liaisons.

CMAP should provide direct financial assistance for plan implementation on a limited basis. CMAP does not currently offer direct funding for implementation efforts, although the agency does allocate Unified Work Program funding to transportation planning and related corridor and strategic planning initiatives. Eligible activities might be linked to the built environment.

When scoping and undertaking technical assistance projects, CMAP and other technical assistance providers should incorporate network building among critical nonprofit, government, and private sector actors. CMAP and municipalities should build upon the success of recent efforts to identify lynchpin implementers early in plan processes, and help municipalities strengthen connections with these entities. These connections will help ensure successful implementation and establish partnerships that endure.

***Build implementation capacity within small or low capacity municipalities.***



Research for this paper identified certain communities as over-performing relative to what their capacity level indicators would suggest. These communities had several things in common, including strong leadership, knowledgeable staff, and connections to assistance resources. CMAP, in partnership with COGs, counties, the civic community, academia and foundations, should develop a program to hire and manage a workforce of shared planning staff to serve select clusters of municipalities, and connect the region’s lower capacity communities to this formula for increased capacity. CMAP could hire supplemental staff deployed to COG offices for defined periods of time to work for select groups of municipalities.

Many small communities or those with limited revenue and staff face barriers to implementing plans. CMAP and partners should consider additional strategies to advance implementation in these communities, with a focus on building each community’s staff expertise and systems to promote resilience and growth. Such a program could take many forms, with the first step being completion of an LTA Planning Priorities Report to establish critical needs and next steps. CMAP could partner with COGs or other local entities to provide supplementary assistance and customized trainings over a defined period of time focused on major project, staff, or best practice initiatives, both to build a better framework for implementation and to impart residual capacity. Alternatively, or in addition, counties could implement similar efforts through their Community Development Block Grant grant allocation program, or other means.

***Promote and facilitate shared service goals through technical assistance.***



CMAP’s assistance in the Lower Fox River Partnering Initiative was crucial in developing an agreement and formulating a shared services plan for participating municipalities. CMAP should continue to encourage service sharing in the region through research, analysis, and technical assistance.

MMC, the civic community, and COGs should provide technical assistance for communities interested in service sharing. Assistance could include direct assistance, service-specific tips, draft MOUs, draft boundary agreements, implementation guides, or other products.

### ***Prioritize building economic development expertise.***



CMAP should continue to provide technical assistance for economic development planning and expand its offerings to provide greater resources that build such expertise in municipal staff and officials. Focus groups throughout this project have highlighted the need and desire for more guidance on economic development best practices and skill building. Enhanced technical assistance should be offered through plans, best practice guides, and trainings for elected officials and staff that enable informed, strategic decisions, including Economic Development 101; customized community profiles that orient officials to existing conditions, assets, and trends; and topical trainings on priority topics (e.g. structuring tax increment financing districts, or zoning to attract investment). For example, CMAP, MMC, and the Southern Illinois University-Edwardsville team that leads the Illinois Basic Economic Development Course could explore collaborating to create course offerings specifically tailored to elected officials.<sup>36</sup> CMAP, MPC, counties, and COGs also should perform more direct outreach to facilitate strong working relationships between municipalities and illustrate the benefits of coordinating on shared economic development priorities.

### ***Identify volunteer resources within communities and encourage participation.***



Municipalities should review their processes for recruiting unpaid assistance and identify resources that could build their capacity without increasing costs. Municipalities should actively engage community groups to provide avenues for interested citizens to volunteer to help achieve community goals. Potential citizen volunteer projects could include targeted outreach activities or completing a tree inventory. Because effectively managing volunteers requires considerable staff time and energy, communities should carefully consider such involvement and focus volunteer engagement to advance discrete project goals. Very low capacity communities likely would require additional assistance to manage a volunteer program.

Students that reside or attend a school within a municipality could serve as a valuable resource. To encourage civic participation, municipalities could partner with school districts on shared priorities. Municipal and school staff could meet before each school year to develop curricula focused on the needs and operations of the community, and to schedule classroom visits by municipal staff and officials, as well as recurring service learning opportunities (e.g. river or vacant lot cleanups, tree plantings, graffiti abatement, beautification projects).

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<sup>36</sup> Southern Illinois University-Edwardsville, "Illinois Basic Economic Development Course," <http://www.bedcillinois.com/about-us.html>.



CMAP should encourage local universities to create partnerships that fill expertise gaps and provide students with valuable experience. Municipalities should coordinate with graduate-level programs at universities within the region to secure student interns for meaningful work that advances municipal initiatives.

## **Prioritize training of municipal officials and staff**

Increasing access to relevant educational opportunities for municipal staff and officials will build expertise and ability to implement local and regional goals. ON TO 2050 should include strategies that communicate the benefits of municipalities accessing professional development. Certain strategies should address the need for training to increase expertise of all municipal actors (staff, elected, and appointed officials), while others should identify actions focused directly on professional development of elected and appointed officials.

### ***Commit municipal resources to professional development and reward pursuit of advanced skills.***



Municipalities should establish a stable percentage of their annual budget for staff and official training, and allot time for pursuit of continuing education. Staff and officials that regularly engage in continuing education are more knowledgeable of best practices and therefore more capable of providing high-quality services.

Recognizing that some motivated staff pursue many professional development opportunities, while others only do so when compelled, municipalities should develop mechanisms to reward active pursuit of relevant training, but also require all staff to pursue a baseline amount of continued education on a regular basis.

### ***Ensure relevant trainings are provided for elected and appointed officials.***



Before elections, municipalities should provide information on roles and responsibilities to candidates seeking elected office. MMC and other civic organizations should develop materials that communicate best practices for municipalities seeking to make general information available to potential candidates for office prior to elections. Such materials should convey the core responsibilities of elected positions and provide plausible time demands to fulfill those responsibilities and serve a constituency.

Following elections, municipalities should properly orient elected officials by conducting briefings for candidates on major issues, including budget, infrastructure conditions, debt obligations, and existing plans. Many municipalities already conduct orientations for recently

elected officials wherein senior staff provide briefings on current conditions and priority topics, however many municipalities do not.

To ensure that elected officials are engaged in regional issues, CMAP should partner with the Illinois Municipal League, COGs, and National League of Cities to ensure priority topics are included in existing trainings offered to elected and appointed officials. An ongoing partnership would facilitate coordination on the trainings each group offers, leverage data access and membership networks to ensure content is up-to-date and relevant to municipalities, and ensure optimal attendance at trainings. Such collaboration should take advantage of successful existing events where they exist, to augment their relevance and help demystify the role of municipalities in regional strategies.

Appointed officials also should have access to a broad range of training opportunities. CMAP, MMC, COGs, and other partners such as the Chaddick Institute should emphasize the importance of plan commissioner training for core competencies and broader local government best practices. As an important decision maker for their communities, commissioners should be well informed on best practices. It is common for appointed officials to subsequently hold elected office, so broader expertise on municipal operations would allow context for their current role while preparing them for potential future responsibilities.

COGs and counties should also engage community colleges to provide input on continuing education programs that serve the needs of their member municipalities' employees, particularly foundational skills for frontline staff (e.g. computer skills, business, management). For example, College of DuPage offers certificate programs (e.g. Organizational Leadership certificate, Supervision certificate) that build skills in technical writing, workforce development and retention, and financial accounting. Many such institutions offer certificate and associate degree programs with applicable skills for municipal staff. Coordinating with institutions can ensure their programs link directly to the needs of municipal employees while providing them a reliable pool of potential students.

Lastly, MMC should develop a Mayoral Mentor program, pairing interested and experienced mayors/village presidents with newly elected officials. Relationships formed through this program can provide collegial support and advice for newly elected officials while establishing broader networks for potential municipal partnerships.

***Coordinate to provide joint trainings and professional development opportunities.***



Municipalities should coordinate with neighboring communities, COGs, and counties to provide professional development opportunities and trainings for staff and officials. Coordinating on scheduling and content for trainings will decrease cost of training provision

and increase the familiarity with the needs and procedures of peer municipalities. Focus groups highlighted that for municipalities seeking training from external sources, there is often confusion about which program would best serve their needs. Moreover, municipalities do not often seek to train jointly with their neighbors. To help clarify the landscape of available trainings, MMC should inventory available trainings aimed at building expertise relevant to delivery of municipal services. MMC, CMAP, MPC, and other partners should then convene to identify both where adequate coverage exists and what topical or geographic gaps need to be filled.

Where successful professional development coverage exists, but only for a limited group, the convening agency should be encouraged to consider expansion of the program to connect to a broader network of trainees. For example, if a county leadership training program exists for internal professional development, expansion of the program to include municipal staff and officials could be considered.

Professional organizations such as American Planning Association, American Public Works Association, American Society of Civil Engineers, American Water Works Association, International Association of Municipal Clerks, and Illinois City/County Managers Association should coordinate on training and education offerings for municipal staff and officials. CMAP, MPC, and MMC should regularly engage representatives of these organizations to assess needs, discuss collaboration opportunities, and broaden networks of potential attendees.

***Develop a coordinated CMAP approach to providing and promoting capacity-building trainings.***



CMAP should create topical guides that explain priority ON TO 2050 recommendations and provide guidance on how municipalities can implement them. CMAP staff should pair these materials with in-person trainings.

CMAP should build training modules into most LTA projects, to be included at strategic points during the planning process on topics related to implementation of plan recommendations. Following the annual call for projects, CMAP should offer trainings to lower capacity LTA applicants not selected for a project. CMAP and other partners could meet with municipal staff and officials and determine trainings that would be most helpful. These trainings could help build foundational capacity for communities that benefits them in the near term and helps prepare them for more demanding assistance projects in the future.

In addition, CMAP should develop a suite of trainings that seek to build municipal capacity across a variety of priority topics. CMAP should use in-house expertise to develop and perform trainings, while working with partners to lend additional expertise, and collaborate on and co-present skill-building trainings. Existing partnerships with Urban Land Institute), Active

Transportation Alliance, Landmarks Illinois, and Morton Arboretum, for instance, have great potential to produce trainings that leverage presenter expertise and broader networks to achieve common goals. In addition to existing partnerships, CMAP should seek to cultivate relationships with other expert partners that can benefit municipalities.

CMAP should continue to provide GIS trainings and data analysis workshops for municipal staff and officials, and should consider expanding these programs to include trainings on how specific applications of increased technical expertise can be leveraged to better support municipal decision-making. Potential expanded offerings could include trainings on open source GIS software, materials directing municipalities to free data analysis tools, economic data analysis, and collaborations with active GIS groups in the region to promote the benefits of building expertise to improve municipal capacity.

### ***Create networking opportunities for municipal staff.***



CMAP, MPC, COGs, and partners should host peer networking events for municipal staff to share experiences, develop solutions, and promote regional and subregional best practices. Within the region, many peer groups of public sector employees meet regularly to discuss challenges, needs, and subregional priorities. Typically, these meetings are informal, coalesce around job title (e.g. village managers, economic development staff, or public works officials), draw participants from nearby municipalities, and convene on a regular basis over breakfast or lunch. These meetings provide opportunities to share successful strategies, build comradery, and strengthen relationships that lead to municipal partnerships. These events could be aimed at job title, such as MARC’s Managers’ Roundtable Luncheons, or bring groups together that are dealing with common challenges, such as DVRPC’s Strategies for Older Suburbs Roundtable Series.<sup>37</sup>

## **Support service sharing and consolidation**

Shared service delivery has been shown to be an effective capacity building strategy for municipalities, but it is not occurring universally throughout the region. Moreover, there are potential opportunities for local government or local service consolidation that should be explored. CMAP and other regional partners should pursue strategies that encourage municipal cooperation and partnerships between local governments, counties, COGs, and other entities, and provide technical assistance to local governments that wish to develop and implement a service-sharing program or explore consolidation. CMAP also should explore the potential creation of a new regional entity focused on consolidation and service sharing in northeastern Illinois.

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<sup>37</sup> For more information, see Mid-America Regional Council, “Local Government Services,” <http://www.marc.org/Government/Local-Government-Services.html> and Delaware Regional Planning Commission, “Strategies for Older Suburbs Roundtable Series,” <http://www.dvrpc.org/SOS/Roundtable>.

***Identify and evaluate opportunities for service consolidation and shared service delivery.***



Municipalities should pursue opportunities for joint procurement, shared services, and shared staff. However, identifying opportunities for service sharing, evaluating the potential challenges or benefits of certain opportunities, and understanding how existing service levels may be affected may be a challenge for some municipalities. Municipalities should proactively explore shared service opportunities through their long-term planning efforts by inventorying the next five years of needs across all services and infrastructure, and share that information with CMAP, counties, COGs, and neighboring communities with an invitation to work together on delivery. Through these efforts, local governments can determine what options they have for service sharing and how to proceed to realize benefits.

In cooperation with their COGs, counties, or a potential new regional entity focused on consolidation, local governments should continue to analyze the fiscal, efficiency, and other consequences of sharing or consolidating some local services, to identify the best opportunities for service sharing. CMAP and COGs can be helpful partners in this process. These organizations can provide a means for analysis and recommendations for local governments, assistance that will be especially critical to introduce lower capacity municipalities into such partnerships.

***Provide opportunities that encourage municipal cooperation and partnership.***



CMAP, counties, and COGs should explore opportunities to help facilitate partnerships between municipalities interested in forming service-sharing agreements. This could include relatively informal offerings, such as forums or meetings with other communities and vendors to discuss potential partnership opportunities, or more formal programming, such as direct brokering of collaborative agreements. COGs and counties could also offer online tools for shared services matchmaking, perhaps partnering with professional organizations to develop function-specific matchmaking. This could include establishing database inventories of service sharing and intergovernmental agreements for their area of the region. This information would help facilitate new partnerships for municipalities interested in forming service-sharing agreements.

CMAP should encourage counties or COGs to create shared service coordinator staff positions responsible for facilitating municipal partnerships and joint procurement. Service coordination staff could perform the analysis needed to determine whether a service-sharing agreement would produce cost savings and efficiencies. Many municipalities do not have the capacity to perform this analysis.

Lastly, CMAP should encourage neighboring municipalities to work together to adopt more uniform processes and regulations for common activities, such as zoning standards, code inspection, and development review, to better facilitate the use of shared services or staff. For example, neighboring municipalities should consider coordinating to adopt the same international building codes or create a uniform rental registration program to foster more shared staffing opportunities for services such as building inspection and economic development.

***Develop regionally accessible resources for service sharing.***



Regional entities, such as CMAP, MMC, civic organizations, or a potential new entity focused on consolidation, should also partner to develop resources for municipalities on best practices. These tools could include IGA templates for commonly shared services, joint-procurement bid documents, and other contractor documentation. Standardizing the process and front-end documentation would also help small communities with fewer staff that are technically adept at bid preparation, or that may have verbal sharing agreements, adopt more formalized IGAs without increased costs, time, or effort. Past experiences in the region have pointed to the need for accessible service-sharing models or templates of common IGAs so that municipalities could more easily create agreements with neighbors and jointly bid on their purchases.

The experiences of the Northern Illinois Municipal Partnering Initiative, a consortium of municipalities in northern Cook County and Lake County, points to the need for front-end joint-bid documents. Since 2010, these communities have partnered for joint procurement on supplies and services. However, as many communities employ different legal counsels, early on in the partnership it was often difficult for participating communities to reach consensus on a final bid document. This issue highlights the importance of fully vetted documents to ensure that municipalities are comfortable with participation.

***Support feasibility assessments for consolidation of services.***



Consolidating services is another avenue to gain capacity and efficiency. The civic community, CMAP, MMC, State of Illinois, a potential new regional entity focused on consolidation, and other partners should conduct an assessment of the region’s experience in consolidated services, such as the Central Lake County Joint Action Water Agency, and use the findings to help interested municipalities identify other opportunities for possible service consolidations.

An assessment of water service consolidation would be an appropriate first step. This assessment should inform whether it is prudent, and if so, how to provide incentives or other encouragement to communities grappling with water management issues. The handful of Joint

Action Water Agencies and Water Commissions may be models for replication elsewhere in the region, but their comparative performance over time to standalone utilities merits investigation to determine whether that is the case, and if so, for what reasons.

**Explore local government consolidation.**



Municipalities should explore opportunities to consolidate with other units of government. Where there is interest by local residents and civic leaders, municipalities with extensive existing partnerships, similar tax bases and services levels, or limited potential for growth should consider the benefits and costs of consolidating with neighboring municipalities. In addition, municipalities and overlapping units of government with existing partnerships or complementary services should also consider consolidation when local interest exists.

**Create state or county programs for local government and service consolidation.**



The State of Illinois, county governments, or a potential new regional entity focused on consolidation should implement a grant program that provides funding to local governments for consolidation feasibility studies. Similar to New York’s program, grant programs could provide awards or technical assistance to governments to develop projects that achieve cost savings and improve efficiency through cooperative agreements, mergers, or consolidation. Another potential avenue would be to use existing federal allowances for grants or loans to enable studies of local service consolidation, such as the Illinois Environmental Protection Agency’s State Revolving Fund (SRF), which has the ability to set aside a portion of its funding as technical assistance grant funding for local communities. Other states have used this to support engineering, rate, and consolidation studies. Illinois should avail itself of this federally allowable use of SRF funding to support communities that are willing to explore new water management structures and systems to relieve their capacity constraints.<sup>38</sup>

Dissimilar service levels and/or tax bases may result in an increased property tax burden for taxpayers located in the district with lower levels of service or a higher tax base. To advance consolidation initiatives that will result in long-term savings, but would raise the tax burden on certain participants, the State of Illinois should provide tax credits on an annual basis to offset the resulting property tax differential for a limited period. Where necessary, state legislation should be approved that facilitates local government consolidation. Such legislation should ensure that local governments maintain the ability to solve problems with innovative solutions.

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<sup>38</sup> United States Environmental Protection Agency, “How the Drinking Water State Revolving Fund Works,” <https://www.epa.gov/drinkingwatersrf/how-drinking-water-state-revolving-fund-works#tab-5>.

## Ensure municipalities can maintain and enhance their infrastructure

Improving the region's infrastructure will be a primary focus of ON TO 2050. ON TO 2050 should include strategies that ensure all municipalities have the capacity and funding to improve their infrastructure, as well as the tools to prioritize these investments.

### ***Implement creative solutions to funding and financing infrastructure.***



More municipalities should implement user fees to fund infrastructure improvements, such as local motor fuel taxes and stormwater utility fees. In addition, more municipalities should perform fiscal impact analyses on new developments to determine whether development-specific revenue sources should be employed to fund infrastructure improvements or future maintenance.

To address the increasing costs of stormwater management, some communities in northeastern Illinois, and more throughout the broader Great Lakes region, have implemented a wide variety of revenue models such as dedicated taxes, stormwater utility fees, or special service areas. CMAP and county stormwater agencies, or a civic partner, should assess whether some of these revenue options would function best at a specific geographic scale—such as a watershed—and what the governance and management ramifications would be.<sup>39</sup>

When planning for the construction of new infrastructure, municipalities should consider pursuing innovative financing for capital projects to save on capital delivery costs and maintenance. While municipalities can do this independently, local governments should also consider partnering with one another on the development and delivery of key infrastructure projects or the aggregation of infrastructure projects, whether for water, sewer, road, lighting, or public buildings such as recreation centers. While some of these projects require spatial proximity and physical connections to work well, others, such as coordinating construction and maintenance of water tower and wells, do not.

Multijurisdictional projects may allow municipalities to meet a financing threshold needed to attract private financing that they could not meet if they pursued a project independently. Municipalities should leverage multijurisdictional projects to explore utilizing alternative infrastructure financing and delivery options through resources like the Illinois Finance Authority or public-private partnerships that could achieve efficiencies in implementation and savings in maintenance and operation.

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<sup>39</sup> MPC, *Steady Streams*, <http://cmap.is/2jlvlyV>.



All public utilities should adopt full-cost pricing, so they can sustainably fund operations and ongoing maintenance, while also accounting for the affordability needs of lower-income residents. While this is a best practice, it is worth noting that it may not be possible for truly full-cost pricing to exist in low-income communities without becoming unaffordable. Such communities should examine other water management options, including consolidation of services with a neighboring community.

***Improve infrastructure planning.***



By including preventive maintenance into capital improvement plans, asset management reduces long-term life-cycle costs. Asset management systems can also clearly lay out the effects of various levels of and timing of investments on asset conditions, providing meaningful investment choices for public decision-makers. Where funding is insufficient, asset management systems help officials make the case for adequate funding levels. In other cases, asset management can reduce the costs of capital improvement programs. Many municipalities already implement asset management plans, and those that do not should work to develop them.

CMAP should investigate ways municipalities can fund asset management plans, particularly the collection of pavement asset condition data. While ongoing efforts already exist to improve the condition of bridges among the region’s transportation agencies, pavement condition could benefit from similar attention. Municipalities that have systems in place to help them understand the effect of preservation and rehabilitation strategies will be able to make investments in their pavement at the right times to have the greatest effect on condition. CMAP is assessing the potential for a pilot study to help municipalities collect and analyze the data required to implement pavement management systems. CMAP should pursue this analysis and, with partners, create a set of data, training, and other resources that will support implementation of transportation asset management systems across the region’s municipalities.

Public and private water utilities should use industry-approved best practices to manage water infrastructure assets such as the American Water Works Association’s M36 water audit methodology, forms, and educational materials. CMAP and the Illinois Department of Natural Resources should track results on annual basis. The M36 allows system managers to determine the extent of their own water loss problems by asking questions about several financial and operational performance indicators.

Municipalities should leverage asset management efforts, such as M36 water audits or pavement condition management, to create capital improvement plans. Municipalities should use these plans to prioritize and coordinate infrastructure investments. CMAP should study best practices in capital improvement planning and share findings with municipalities. This study should include best practices for growing municipalities at the edge of the region to

accurately project future water and wastewater treatment needs and plan for facility expansions while avoiding overbuilding and potentially compromising future fiscal condition.

Municipalities should be encouraged to coordinate capital projects, particularly when addressing underground improvements. For example, when planning roadway improvements, needed stormwater or utility improvements (water, sewer, gas, electricity, and communications, including access to developable land) should be completed as part of the same construction project, rather than digging up the road multiple times over several years. Coordinated construction reduces costs, improves service to the public, and can increase the array of possible funding sources.

## **Address fiscal condition**

ON TO 2050 should consider strategies to improve the fiscal condition of municipalities in northeastern Illinois. These strategies should address underlying policy issues to help improve capacity of communities.

### ***Reduce wide divergences in revenue levels across municipalities.***



Municipalities with strong revenue levels relative to public service needs may be better able to maintain their fiscal condition, which may lead to greater capacity to achieve local and regional goals. However, there are wide divergences in municipal revenue levels across the region.

Municipalities receive shares of state revenues such as sales, use, income, and motor fuel tax based on various criteria. The State of Illinois should reform state revenue sharing disbursement criteria to reduce wide divergences in disbursements across municipalities. The reforms should consider varying land uses while ensuring that municipalities across the region have the ability to fund public services and infrastructure and achieve local and regional planning goals.

Variation in land use mix contributes to the wide divergences in revenue levels across municipalities. The State should expand the sales tax base to include additional services as a first step to ensuring that municipalities can support public services regardless of land use mix.

### ***Analyze the impact of local development.***



New development can result in public costs in terms of public services, initial infrastructure improvements, and future infrastructure maintenance. Municipalities should assess the short, mid, and long-term costs of new development projects, including public services, new infrastructure, and future infrastructure maintenance and replacement. Municipalities should leverage this assessment for fiscal impact analysis to properly employ development-specific

revenues in the form of agreements with developers to fund services or infrastructure improvements.

***Improve financial and budget practices.***



Municipalities should implement practices such as developing short and long-range financial forecasts and utilizing performance management and targets to ensure investments are in line with priorities. Civic organizations should develop and distribute guidance on best practices for municipalities, and professional organizations should offer related trainings to build municipalities' familiarity with recommended measures and assist with local application.

## **Conclusion**

To achieve the goals set forth in ON TO 2050, the region must take deliberate, focused action to improve the capacity of all municipal governments to lead. The strategies described in this paper present a path forward, by building the expertise, networks, and capabilities of communities across the region.

Individual and collective efforts by CMAP, the civic community (including, but not limited to MPC, co-author of this paper), counties, councils of government, and other partners can bolster municipal capacity, ultimately improving the economic strength and livability of our region. More specifically, by enhancing technical assistance offerings and resources for municipalities, prioritizing training for municipal officials and staff, supporting service sharing and consolidation, ensuring municipalities can maintain and enhance their infrastructure, and addressing the fiscal condition of communities, the region will ensure more communities can effectively implement local and regional goals. CMAP and MPC are committed to these implementation efforts, and we invite you to join us.

# Appendix A

## Resource group members

Bill Balling, WRB LLC  
Michael Blue, Teska Associates, Inc.  
Jeff Brady, Village of Glenview  
Christina Burns, Village of Oswego  
Alison Milld Clements, Metropolitan Mayors Caucus  
Shubhra Govind, Village of Hanover Park  
Jack Hynes, Consultant  
John Keller, Cook County  
Jon Kindseth, Village of Beach Park  
Hugh O'Hara, Will County Government League  
Tim Schloneger, Village of Algonquin  
Carolyn Schofield, McHenry County  
Michael Schwarz, City of Joliet  
David Silverman, Ancel Glink  
Regan Stockstell, Village of Richton Park

## Resource group meeting topics

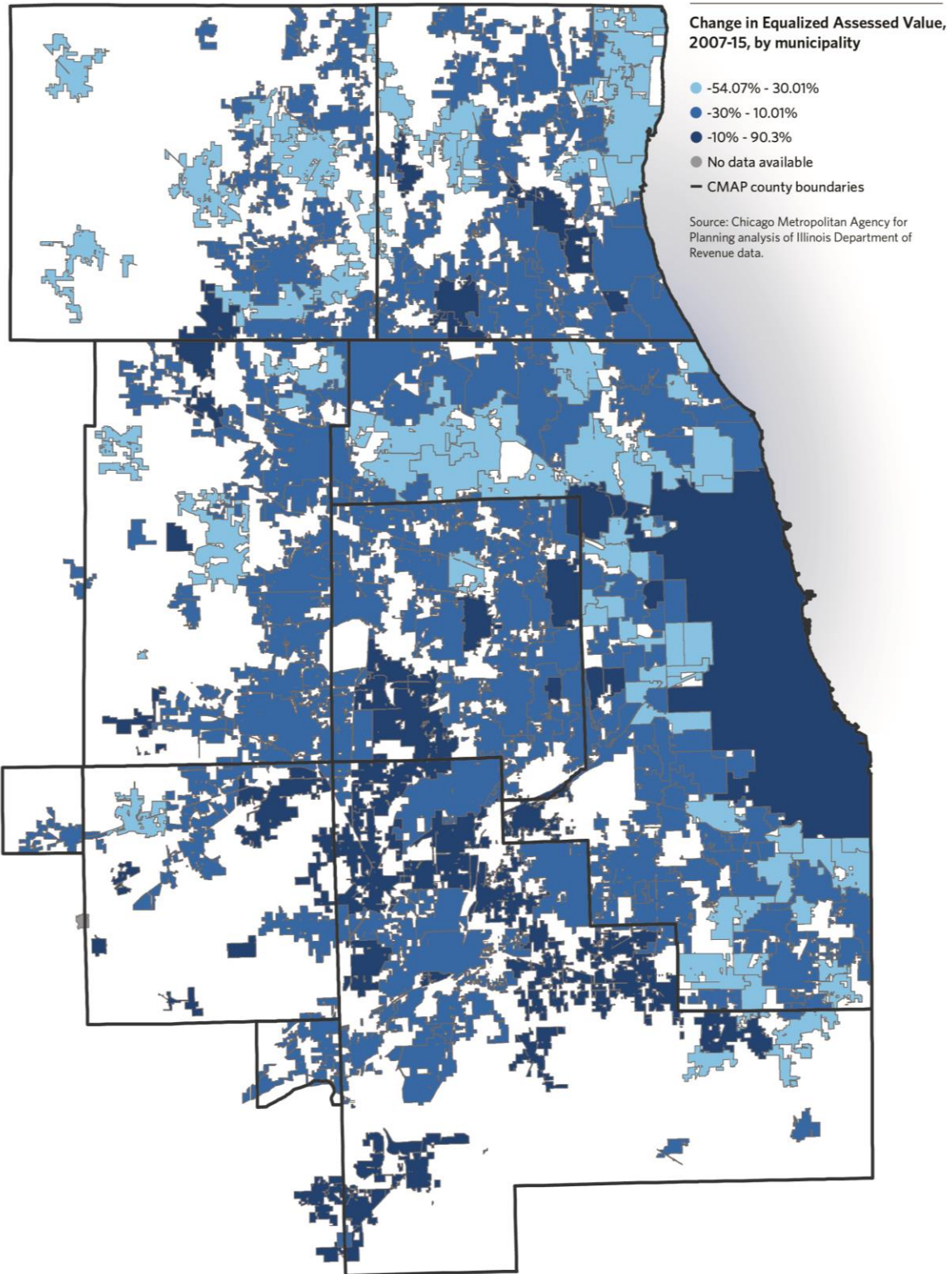
September 23, 2016: Project overview and defining municipal capacity  
November 3, 2016: CMAP municipal survey and Metropolitan Mayors Caucus service sharing survey  
January 13, 2017: Peer metropolitan planning organization practices, shared services, and Local Technical Assistance (LTA) project implementation evaluation  
March 10, 2017: Tax policy, fiscal issues, staff recruitment, and training  
May 12, 2017: Consolidation, infrastructure issues, and strategy paper outline review  
July 14, 2017: Review draft strategy paper

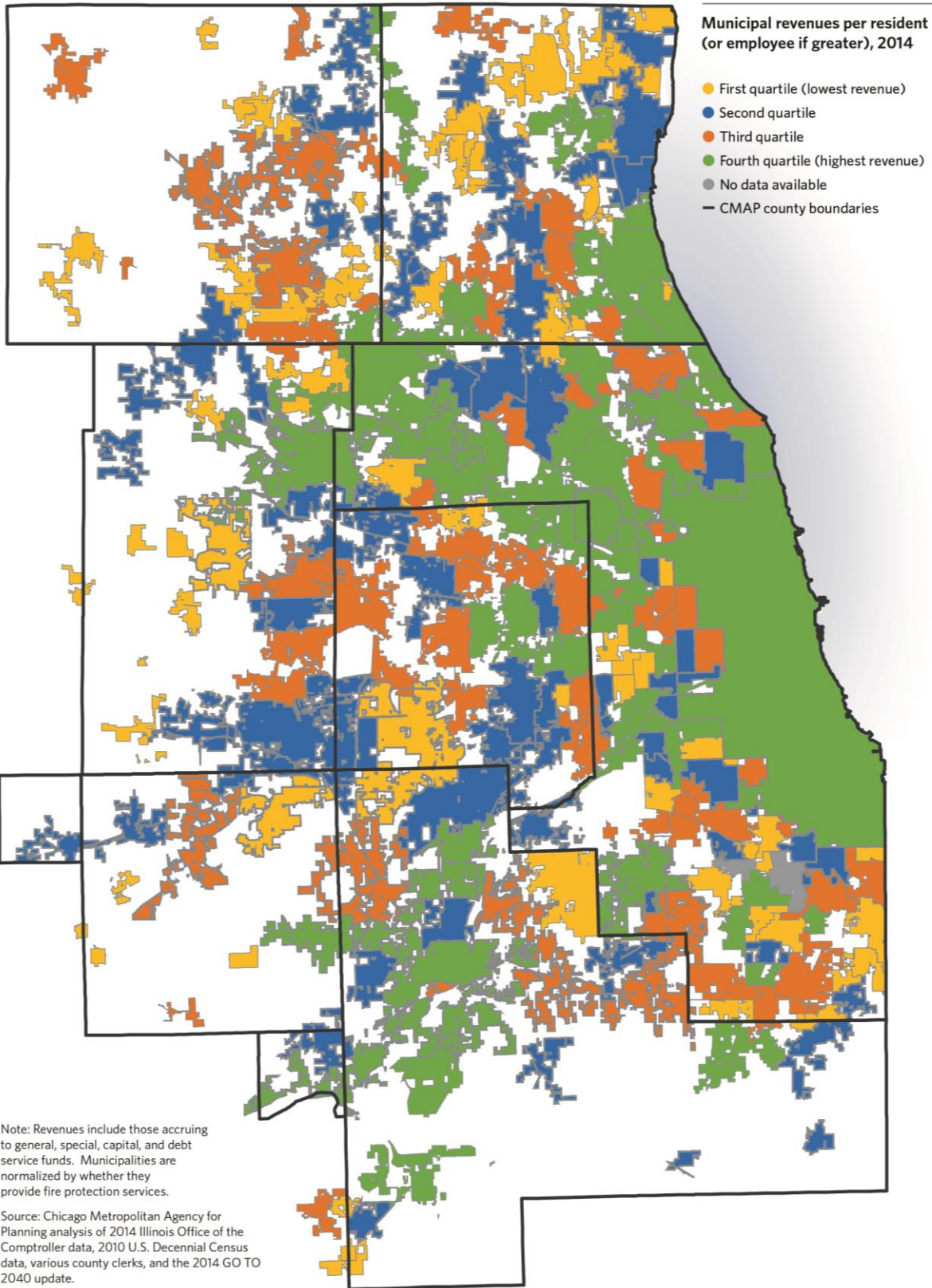
## Focus group topics

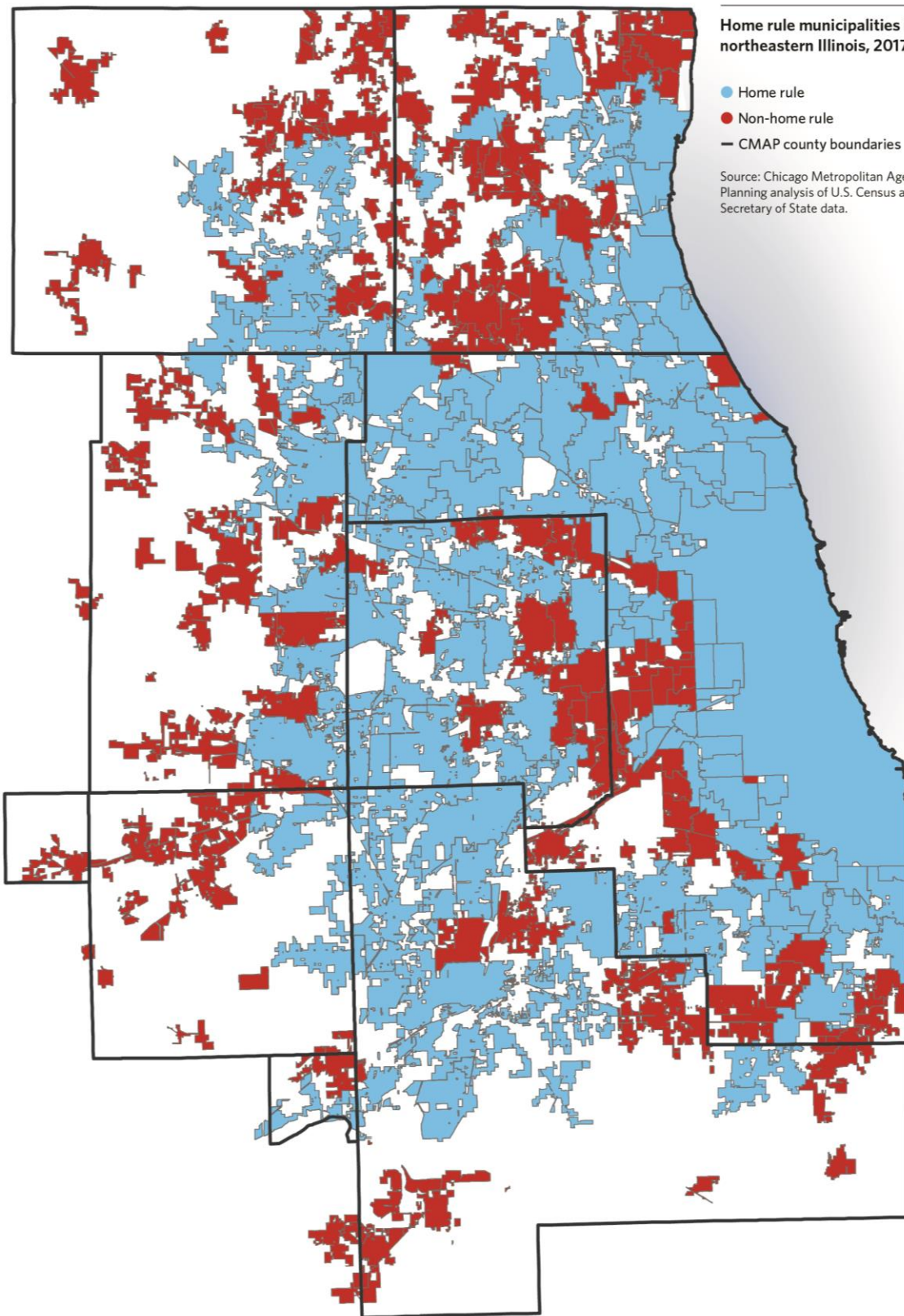
Focus groups with subject matter experts and stakeholders provided feedback and ideas on existing conditions and potential strategies. The focus groups addressed:

- General municipal capacity issues (with mayors and village presidents)
- General municipal capacity issues (with municipal staff)
- General municipal capacity issues (with state and county staff)
- Infrastructure issues
- Municipal finance, recruitment, training, and administrative issues
- Economic development issues
- CMAP LTA program staff

# Appendix B



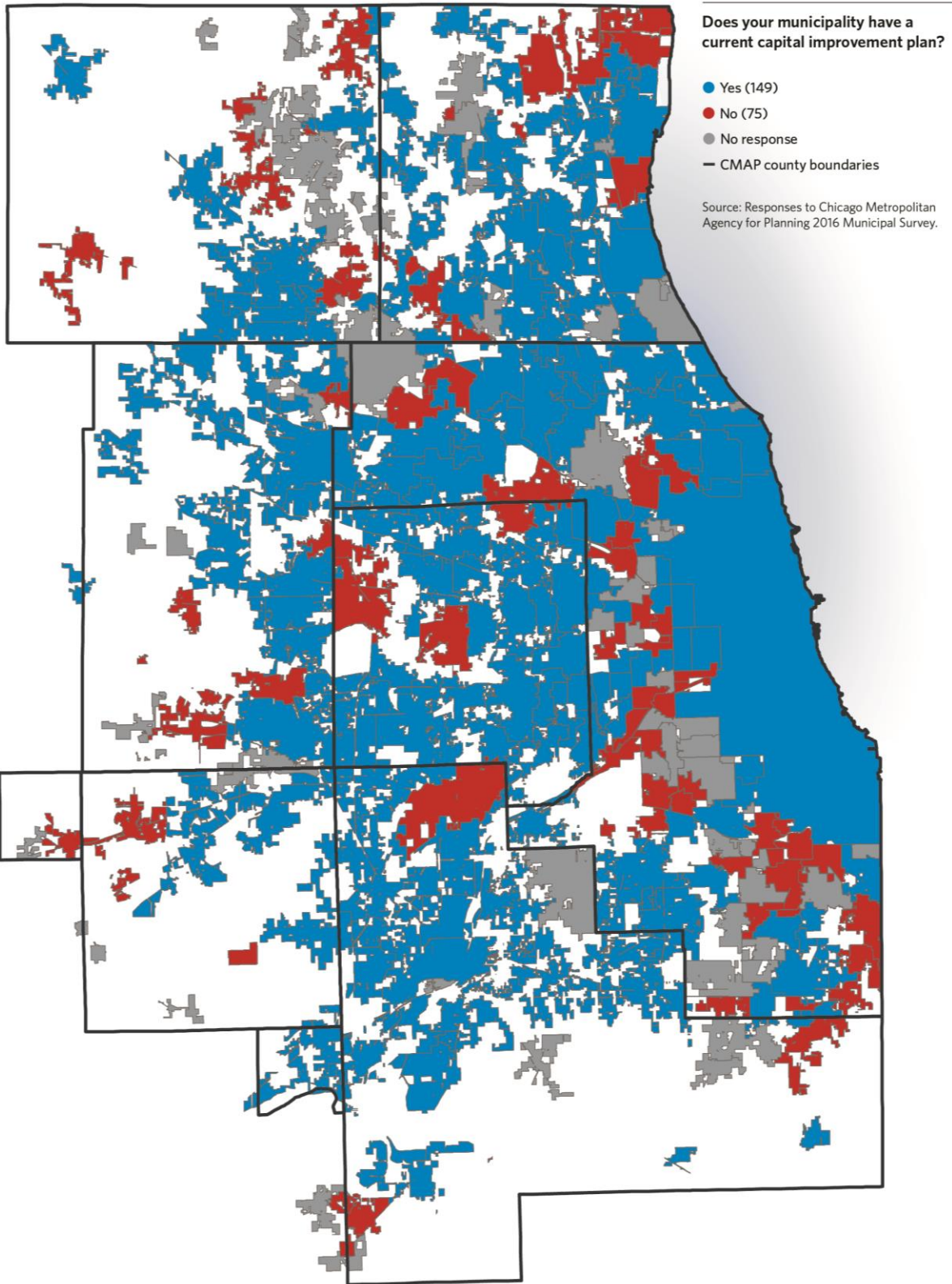




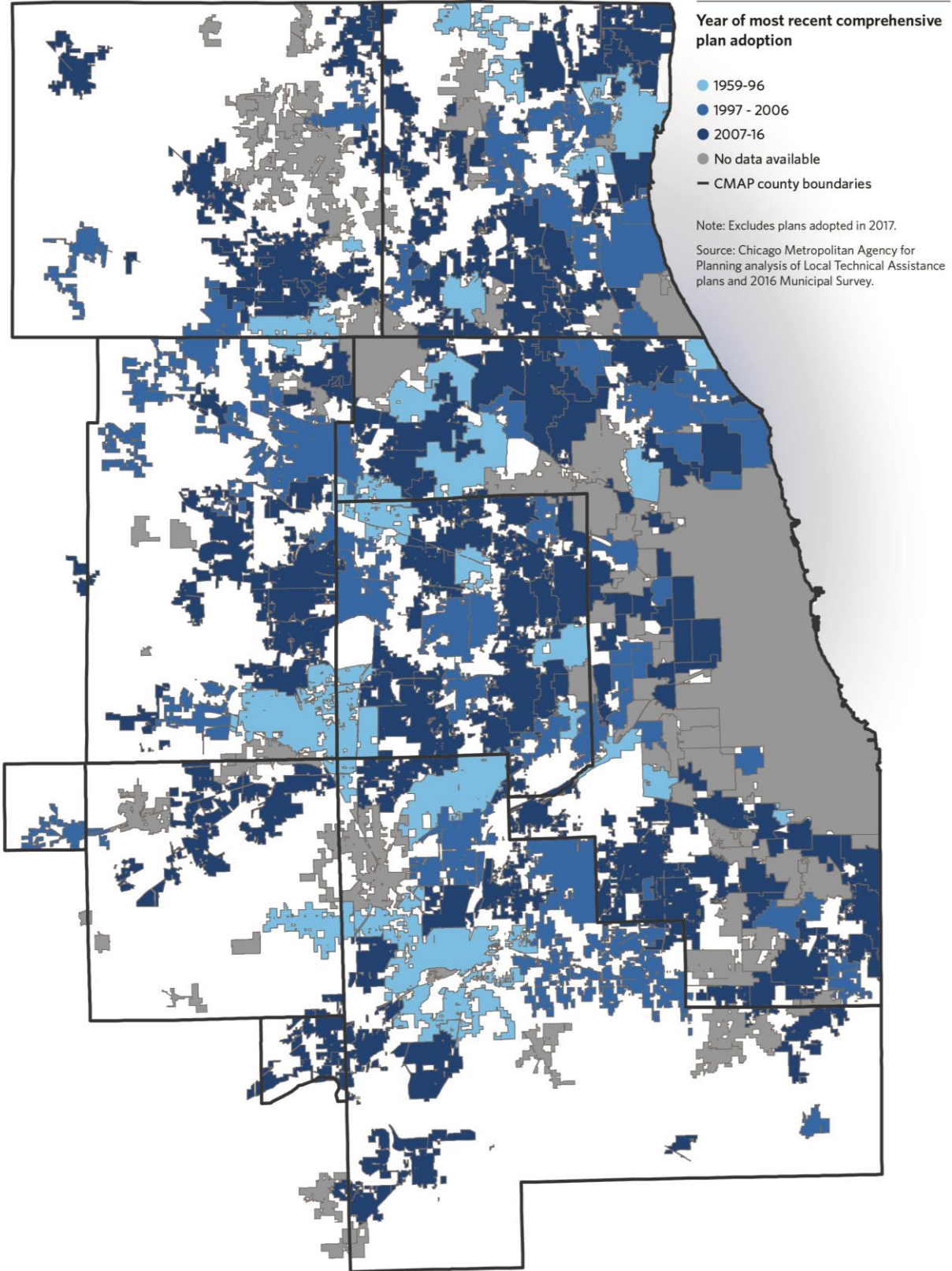
**Home rule municipalities in northeastern Illinois, 2017**

- Home rule
- Non-home rule
- CMAP county boundaries

Source: Chicago Metropolitan Agency for Planning analysis of U.S. Census and Illinois Secretary of State data.









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The Chicago Metropolitan Agency for Planning (CMAP) is our region's comprehensive planning organization. The agency and its partners are developing ON TO 2050, a new comprehensive regional plan to help the seven counties and 284 communities of northeastern Illinois implement strategies that address transportation, housing, economic development, open space, the environment, and other quality-of-life issues. See [www.cmap.illinois.gov](http://www.cmap.illinois.gov) for more information.

ON TO 2050 strategy papers will explore potential new topics or refinements to existing GO TO 2040 recommendations. These documents and data-driven snapshot reports will define further research needs as the plan is being developed prior to adoption in October 2018.

The Metropolitan Planning Council (MPC), a nonpartisan nonprofit that serves communities and residents of metropolitan Chicago by developing, promoting and implementing solutions for sound regional growth, co-authored this strategy paper with CMAP. Learn more about MPC at [www.metroplanning.org](http://www.metroplanning.org).



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