



Merger: Town & Village of Johnson, Vermont

Assessment of Benefits & Costs

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Introduction

Johnson, Vermont was named after William Samuel Johnson, son of Samuel Johnson, the first president of King's College (later renamed Columbia University). William Samuel Johnson was a contemporary and acquaintance of the more famous English writer Samuel Johnson, about whom the noted biographer James Boswell wrote "Life of Samuel Johnson" in 1791. They were apparently not related.



Johnson was active in Colonial affairs, representing Connecticut in negotiations with England. He was also engaged by the Vermont Republic to represent its interests before the Continental Congress, for which he (and others) received a grant of land in 1782 that became the town in 1792.* Vermont was admitted to the Union as the 14th state in 1791 (as a free state, counterbalancing the admission of slaveholding Kentucky, which joined the Union in 1792). William Samuel Johnson was a delegate to the Philadelphia Convention in 1787 and played an influential role in crafting the U.S. Constitution. The Village of Johnson was incorporated in 1894.



Power House Bridge

Like many Colonial-era settlements, Johnson's early economy was centered on water power. The Gihon River hosted the community's first generating plant just north of the Power House Bridge.

Key economic drivers today include the Johnson Woolen Mills, established in 1836; Northern Vermont University-Johnson (formerly Johnson University), founded as the

Johnson Academy School in 1828; and the Vermont Studio Center, established in 1984.† The once-significant talc industry remains a physical presence as the Town Public Works and Village Water and Light departments occupy the site of a former mill.

* Swift, Esther M. (1977). Vermont Place-Names, Footprints in History. The Stephen Greene Press. pp. 282–283. ISBN 0828902917, cited in https://en.wikipedia.org/wiki/William_Samuel_Johnson

† Johnson, Vermont website: <http://townofjohnson.com/about/>

Johnson town and village

Demographic profile

Combined, the population of Johnson village and town totals about 3,500 residents, with a slight majority living outside the boundary of the village. Demographically, distinctions between the village and the town outside the village are modest. Differences in the age profile, median household income and share of rental housing are likely the result of the college, which is located in the village.

American Community Survey 2018 (5 year rolling survey)	Johnson Village	Johnson Town-Outside-Village	Vermont
Population	1,532	2,055	624,977
Population under 18 years	18%	19%	19%
Population over 65 years	7%	15%	18%
Median age	22	30	43
Share of pop in civilian labor force	71%	70%	66%
Share of pop, one race, white only	93%	99%	94%
Share of pop in poverty	26%	27%	11%
Median household income	\$33,125	\$52,634	\$60,076
Share housing, owner-occupied	24%	66%	71%
Median home value (owner-occupied)	\$162,800	\$157,362	\$223,700

Service responsibilities

Towns and villages have historically played distinctive roles and this is evident in Johnson. Village are organized around the unique needs of a dense cluster of homes, often including water supply and wastewater disposal. Wells and septic systems suffice in rural areas, but are impractical or even impossible in a more urban setting. The village structure facilitates the construction and operation of public utilities, with users sharing the cost. Commercial districts benefit from street lights. Residential neighborhoods are enhanced by sidewalks.

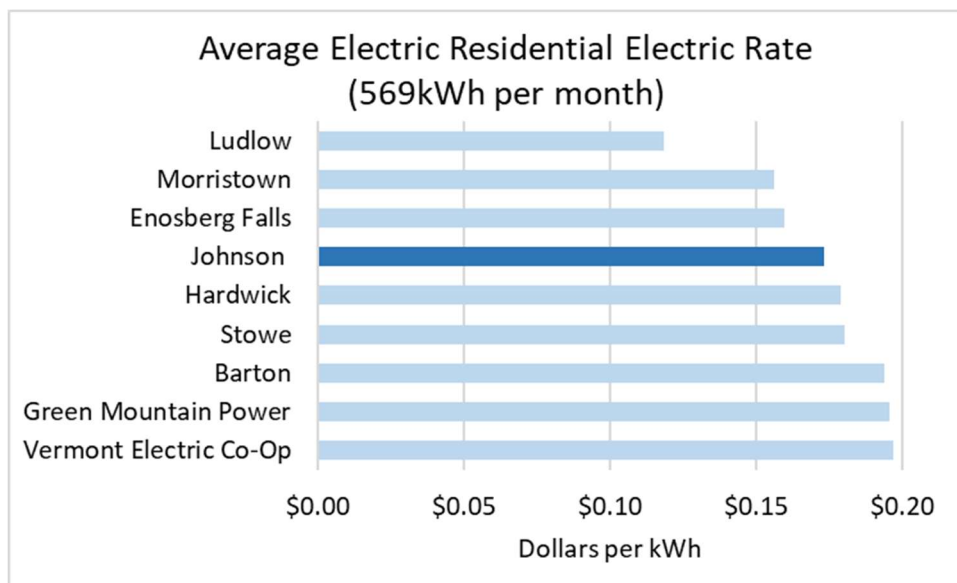
As in many states, a Vermont village is a sub-unit of a town. All village residents are town residents, but not the reverse. All town residents collectively pay for services used by residents both in the village and outside the village. In Johnson, this includes the maintenance of roadways, plus police and emergency medical services (both contracted from other agencies on behalf of all town residents). Village residents pay a

separate property tax for the concentrated services offered principally in the urban core.

The division between “town” services and “village” services is imperfectly defined in practice. It is rare for a village water or sewer system to serve only village residents, as key parcels lying just outside the village boundary may petition for inclusion. Some villages require formal annexation while others simply extend their service territories to include properties outside the village. There also may be parcels within a village that, for reasons of geography or geology, are never connected to either system. Most water and wastewater systems are operated as enterprise functions with the cost divided among the users as opposed to being supported by the property tax. Users may pay different rates based on their location, level of use or particular needs.

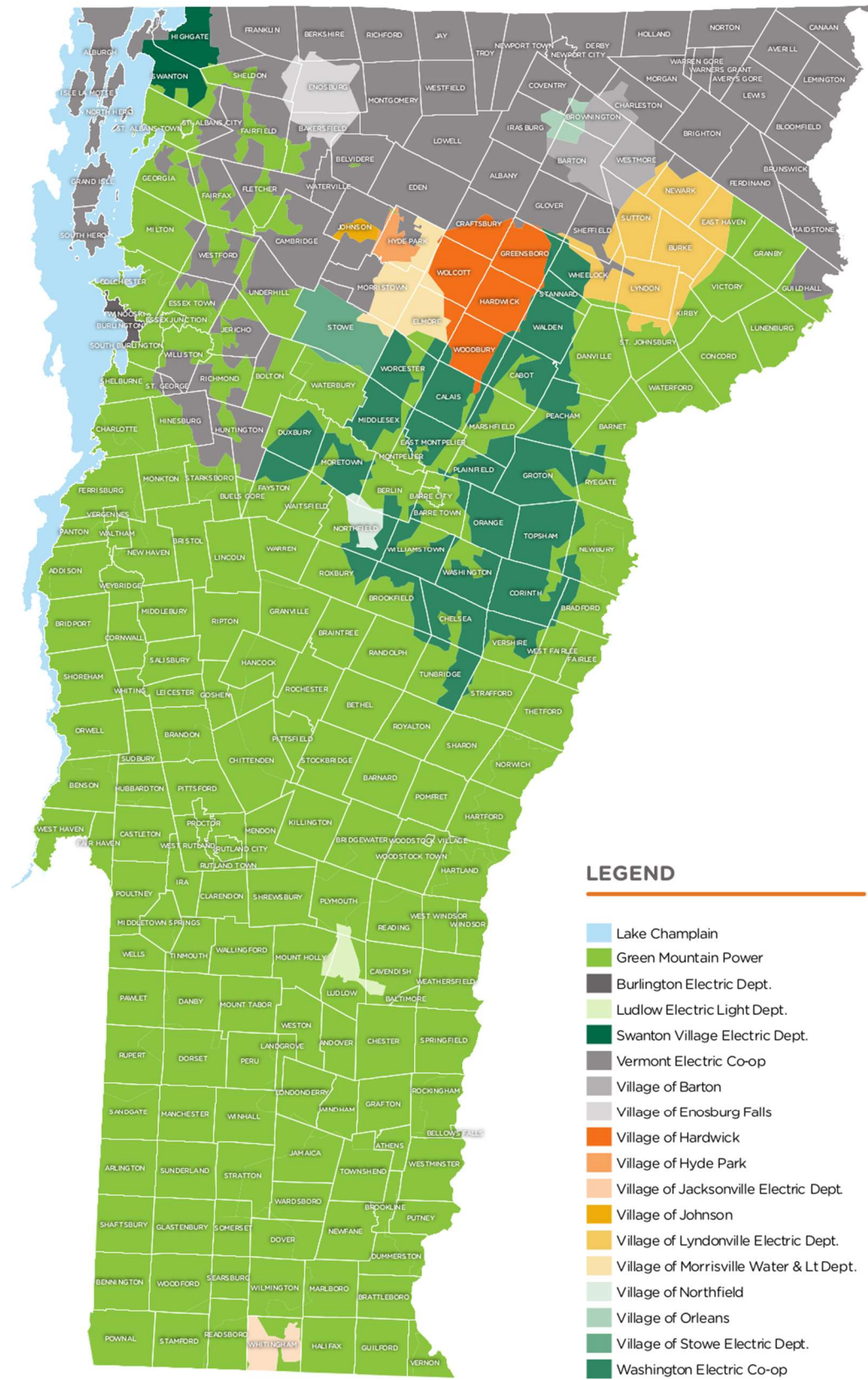
Although the Town of Johnson takes responsibility for police and emergency medical services and pays for these through the town property tax, it does not provide these services directly. Police protection is provided by the Lemoille County Sheriff under a contract negotiated by the town and funded by all town residents (including those who live in the village). Fire protection in Johnson is under the control of the village, but provided by contract to residents in the town outside the village plus two other towns. In other communities in the Northeast, these responsibilities are flipped, with the town providing fire protection services and the village operating a police department that services the town.

The Village of Johnson also owns and maintains a public power utility. Its service territory includes all village residents and many town residents. Johnson’s electric department is one of 14 municipal electric departments in Vermont. A map of



Vermont’s electric utility service territories appears on the page following.

Johnson’s Electric Department is recognized for its reliable service and stable, low price. One of the state’s smallest public utilities, it has about 950 customers.



Fiscal profile

Of the four Village departments – Electric, Water, Sewer, and General (which includes the Fire Department), only the General Department relies on the property tax for principal funding. As noted above, the other village departments serve a different set of users, which pay based on usage. The village also receives .10 cent of its grand list—\$59,443 in 2018—from the town tax levy (paid by all town taxpayers).

The village departments' budgets are intertwined. Nearly all village employees serve more than a single department. Labor costs are allocated across the departments according to a reporting system that records hours spent by function. This is not an uncommon practice in small communities. Nonetheless, accurate reporting is required to ensure that one set of rate payers is not subsidizing another or that the general property taxpayer is not bearing costs justly borne by ratepayers.

The Electric Department pays rent to the General Department for its use of the village-owned buildings. The Water and Wastewater departments do not.

Taxpayers owning the median-valued home in the Village pay a total Town and Village tax of just over \$4,000 while town-outside-the-Village property owners pay about \$3,600.

	Village FY19 actual	Town-wide FY18-19 actual	Town Outside Village
Tax parcels	370	1,310	940
Occupied housing units	506	1,287	781
Owner-occupied	123	642	519
Share owner-occupied	24%	50%	66%
Median home value (owner-occupied)	\$162,800	\$159,500	\$157,362
Total assessed value	\$59,443,000	\$216,683,000	\$157,031,000
Tax levy	\$111,889	\$1,693,741	\$1,227,460
AV per parcel	\$161,222	\$165,407	\$167,054
Municipal tax rates on AV	\$0.1876	\$0.7817	\$0.7817
Muni property tax on median valued home	\$305	\$1,247	\$1,230
Total property tax on median valued home	\$1,552		\$1,230
Education tax rate	\$1.51		
Education tax on median valued home	\$2,459	\$2,409	\$2,376
Total property tax on median valued home	\$4,011		\$3,606

The highest total expenditure in the village and town is for electrical service, although this cost is borne by ratepayers on a usage basis.

<i>Service</i>	<i>Total Cost (\$1000)</i>
Village oversight (FY18 actual)	
Fire (shared by village & town of Johnson plus towns of Belvedere & Waterville)	\$185
Water (shared among ratepayers)	\$304
Wastewater (shared among ratepayers)	\$473
Electric (shared among ratepayers)	\$2405
General (property tax levy \$112k)	\$229
TOTAL VILLAGE SERVICE EXPENSE	\$3596
Town oversight (shared among all property taxpayers)	
Sheriff	\$484
Emergency Medical Services	\$110
Highway & summer roads	\$565
Solid waste	\$12
Library	\$75
Recreation	\$48
Historical society	\$6
TOTAL TOWN SERVICE EXPENSE	\$1,300

How should the cost of public services be shared?

As the division of responsibility between a village and its town is fluid, the question of “who pays” can be contentious. Should maintenance of village infrastructure be purely the obligation of village residents? Town residents benefit from street lights and snow-free sidewalks—what share of the cost should they bear?

Even pricing of water and wastewater services varies by local practice and preference. Most utilities charge a fixed fee for access to the system plus a charge based on volume. Some assess large users a reduced fee per unit while others offer a low rate for low volume users and charge larger users a premium. Users who live outside the municipal boundary may be charged more or, when the user is a prized contributor to the local economy, less. Reasonable arguments can be made for a variety of approaches to pricing.

Fire protection is rarely paid for on a fee basis. Instead, the cost of fire services is paid through the property tax. As the fire service protects real estate and higher valued

property pays more in tax, there is some rough equity in this. In the case of Johnson, the village fire department relies on property tax revenue from village residents plus fees it charges its three town customers (Johnson, Waterville and Belvedere) based roughly on historic calls for service.

In theory, police services could also be charged on a fee basis. Private security firms set customer fees based on cost and client need. A bar may benefit more from security than an accountant's office. This kind of price variation is unheard of in the public sector, however.

The value of public works to the property owner also varies: A merchant dependent on the driving public gets more benefit from plowed streets than an office-based business whose customers are nearly all online. Differential fees are possible but rare: In Rochester, NY the cost of street maintenance, including plowing, depends on the length of street frontage*. This is the only example in New York and we know of no similar cases in Vermont.

Few of these distinctions are observed in real life—or in Johnson. Most communities fund local government with property taxes that vary with property value or through sales tax paid by local residents and visitors alike. Perfect fairness is illusive.

This “who shares the burden?” question is creating friction between the two Johnsons currently. With or without further discussion of merger, a clearer understanding of the shared financial obligations of the two (overlapping) sets of taxpayers would be helpful.

Should Johnson have both a town and a village?

Towns and villages in Vermont

There are no clear principles to apply to the creation or elimination of village government. This is a local option which must be approved by a special act of the state legislature. The trend has favored disincorporation over incorporation. Since 1960, twenty-six villages have been disincorporated while no new villages have been formed. The most recent incorporations were the Village of Jericho (Chittenden

* As a fee as opposed to a tax, this ensures that nonprofit property owners, from universities and municipal buildings to churches, share in the cost of road maintenance.

County) in 1933 and the Village of Essex Center (Essex County) in 1949, which was disincorporated in 1977.*

The Census Bureau reports that the Town of Johnson is ranked 39th by population among Vermont's 244 towns. Of the largest 50 towns in the state, 16 also contain villages. Excluding populous Chittenden County (Burlington), four of the largest ten contain villages: Essex, Bennington, Swanton and Lyndon.

When is dissolution supported by voters?

CGR's experience with mergers and dissolutions suggests that one of two conditions usually applies when a village votes to dissolve or a village and town choose to merge.

- Movement toward dissolution or merger is most often prompted by concerns over property taxes. There is a common sense appeal to eliminating apparent redundancy that is often phrased as, "Surely we'll save money by eliminating the village." As the reality of dissolution or merger often yields only modest savings, the push to dissolve or merge can falter after study.
- Local governments rely heavily on volunteer time from citizens. Small communities can find it difficult to persuade residents to commit to the time required for responsible participation on planning commissions, boards of trustees, town selectboards, etc. Low turnover and lack of competition for key positions and poor participation in town and village meetings can suggest that the "pool" of willing and able volunteers has become too small to support two levels of governments responsibly.

The process of dissolution or merger

The process of merging municipalities is governed by Chapter 49 of Title 24 of Vermont State Statutes[†]. The law requires that the two merging municipalities prepare a plan for merger that is approved by each of the governing bodies. Required specifics of the merger are set out in "§1483: Contents of plan." [‡]

* See ET Howe, "Vermont Incorporated Villages: A Vanishing Institution," *Vermont History* 73 (Winter/Spring 2005): 16–39 (https://vermonthistory.org/journal/73/05_Howe.pdf) and [https://en.wikipedia.org/wiki/Village_\(Vermont\)](https://en.wikipedia.org/wiki/Village_(Vermont))

[†] See <https://legislature.vermont.gov/statutes/fullchapter/24/049>

[‡] Although the town and village of Essex have not voted to merge, the community has assembled a helpful set of papers describing the process and the alternatives considered. See https://www.essex.org/index.asp?SEC=4E47D6BE-6C1E-4A77-B246-FFCAA8CAF9306&Type=B_BASIC for more information.

Two properly-advertised public hearings must precede a vote. The vote, taken by Australian ballot, must be approved by a majority of electors in each municipality. The merger must then be approved by the Vermont General Assembly.

Dissolution or merger may also be effected by passage of a special act of the state legislature:

§ 1487. Alternative merger provisions

Notwithstanding the existence of any special act authorizing the merger of two or more municipalities, the legislative bodies of those municipalities which plan to merge may elect to proceed either under this chapter or under the special act authorizing the merger.

As an example, see pending state law H.554 authorizing the dissolution of the Village of Perkinsville into the Town of Weathersfield as of July 1, 2020.* The bill passed the House in January and has been referred to the Senate's Committee on Government Operations.

Would taxpayers save by eliminating the Village of Johnson?

Village dissolution is impractical in Johnson

Simple dissolution, where a village simply votes itself out of existence and "turns over the keys" to the town, is impractical here although it makes sense in the Village of Perkinsville: With a population of about 130, the village provides few services.

H.554 requires the village to settle its accounts in advance and transfers all assets to the town on July 1. Any remaining cash is dedicated to "restoration of the Perkinsville 1879 Schoolhouse." The town is obligated to "keep the [street]lights on."

Village of Johnson services

The responsibilities of the Village of Johnson are far more complex and consequential than in Perkinsville. Nearly all of the village functions are supported by a specific group of users—electric utility, water and wastewater customers all pay the costs based on usage.

Given the different responsibilities of the village and town, the responsibilities of the Village Manager and the Town Administrator are also distinct and would remain were

* <https://legislature.vermont.gov/Documents/2020/Docs/BILLS/H-0554/H-0554%20As%20passed%20by%20the%20House%20Official.pdf>

there a single level of government. The only unambiguous savings would be some reduction in the nominal stipends paid to members of the elected boards, assuming that a single selectboard would be roughly equal in size to half of the combined trustees and selectboard. Collectively, village trustees and town selectboard members are currently paid \$12,050 per year.

Village “dissolution” misleading

Moreover, the notion of the village “dissolving” is misleading. The two Johnsons would merge to form something new. CGR’s experience in Princeton, NJ is instructive. Both the borough and township of Princeton were transformed into a new entity that was neither borough nor township. While a post-merger Johnson would be organized as a town, the merger plan would have to provide for a new governing board elected by a post-merger Town Meeting.

Town & village services unduplicated

The village and town share most “back office” services, including a joint municipal building, a clerk/treasurer and a computer system. The office staff is fully cross-trained and seamlessly handle town and village services.

As noted above, nearly all major services are already provided by either the town or the village to all users: Fire, police, emergency medical, highway maintenance, electric, water, wastewater are all provided by one or the other, not both.

PILOT payment

Both the village and town receive a payment-in-lieu-of-tax from the State of Vermont in acknowledgement of the service burden imposed by the presence of Northern Vermont University-Johnson. This is based on the current property tax rate for each of the village and town. The village payment is currently \$52,000. The property tax for a merged Johnson is likely to be less than the current combined rate, putting some portion of this payment at risk.

The structure of a merged Johnson

A merged Johnson would be organized as a town that is governed by a selectboard. The process for selecting the new selectboard would be an important component of a merger agreement negotiated between the current village trustees and town selectboard and approved by a vote of village and town voters. The community

appears to have significant discretion over the transition period and the structure of the new selectboard*.

Utilities

The merged Johnson would continue to provide the same services now overseen by the town and the village. Services provided to a subset of the town's residents—water, wastewater and power—would continue to operate under state oversight as enterprise functions. These could be overseen directly by the newly-constituted selectboard or could prompt creation of an intermediate level of oversight from the group of ratepayers. Once again, the oversight function would be part of a negotiated merger agreement between the village trustees and the town selectboard.

Back office functions

The back office function is already quite well coordinated., although some duplication exists currently—there are two property tax rolls and bills, two reporting obligations to the State of Vermont, etc. While some efficiencies would be achieved over time, the elimination of this duplicative work would be unlikely to free up an entire position.

Electric Department

Public works is the function in which some tangible, if modest, efficiencies could be achieved from merger. Staff of the village Electric Department support the public works needs of the water and wastewater departments and are tasked with executing the village charter obligation to build and maintain sidewalks (including snow removal) and storm sewers. Town taxpayers (which includes village residents) support this work with a contribution of .10 cents on the village grand list (\$59,443 in 2018). The electric department foreman estimates that the total cost of sidewalk and storm drain maintenance in the village is about \$130,000 per year.

As a consequence of this staffing arrangement, workers with highly specialized skills (the linemen) are performing work that is comparable to that undertaken by the public works employees of the town at a lower cost. Were the town and village to be merged, the village electric utility would no longer be required to perform this function. The average salary and benefits for the current town highway department workers (excluding the supervisor) is about \$65,000. The comparable figure for the electric department workers is about \$106,000. Both departments are reported to do excellent work.

* Again, the deliberations and alternatives explored by Essex are instructive. See https://www.essex.org/vertical/sites/%7B60B9D552-E088-4553-92E3-EA2E9791E5A5%7D/uploads/Potential_Governance_Scenarios_with_Questions.GTedit_gd_071618.pdf

CGR does not recommend a specific staffing model, but it seems reasonable to assume that a combination of new full time public works staff augmented by seasonal workers could provide satisfactory service to the community. Staffing for the electric department would need to be reduced, presumably by attrition, to realize these savings.

These savings could be achieved without merger through an intermunicipal agreement. Such an agreement would reverse the financial flow—instead of town taxpayers supporting this function in the village, the village would compensate the town for services supporting sidewalk and storm sewer maintenance and general services required by the Electric, Water and Wastewater departments.

Fire Department

The fire department already serves the entire community, including two nearby towns. Oversight would shift from the current village trustees to the newly-constituted town selectboard. Alternatively, the fire department could become a standalone nonprofit.

Disposition of Assets

Several village residents asked if a merger would involve compensation for any asset reallocation between the current village and the reconstituted town. This is a complicated matter. Proper cost accounting should ensure that the assets of the major utilities have been paid for, thus owned by, the ratepayers, not the general village taxpayer.

For assets not effectively “owned” by ratepayers, the nature of any compensation is complicated by the fact that the merged town will include current village residents who comprise 43% of the population, 28% of tax parcels and 27% of assessed value. Village residents and taxpayers are on both sides of any proposed transaction.

Again, this is an issue that can be addressed in a merger plan.

Conclusion

Public services provided to the Johnson community have evolved over time, with some provided by the village and some provided by the town. Many services are already shared, for which the community should be commended. The division of responsibility is quite complete and we see little costly duplication.

Merger would address an unfortunate competitive dynamic that some residents find troubling. We also see some evidence of "volunteer fatigue" in the trustees and selectboard.

Whether continued discussion about merger would be productive is a matter best left to the deliberations of the trustees and selectboard and, if deemed appropriate, the village and town meetings.