Merging Governments: Lessons from Louisville, Indianapolis, and Philadelphia

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Key Findings

The idea of merging the City of Pittsburgh with Allegheny County has surfaced in light of the financial troubles plaguing the City. Proponents claim that by merging the two entities, duplicative services can be consolidated resulting in a leaner more cost effective government. They point to the success of two previous city-county mergers: Metro Louisville and Indianapolis' UniGov. However the evidence from these mergers does not create optimism that cost savings or faster economic growth will occur. Among the key findings of this paper:

- Neither the Metro Louisville nor the Indianapolis UniGov consolidation promised to save money. Both cities hoped their merger would accomplish two things: promote economic development and improve the city's image.

- Saving money through consolidation was not the primary goal of the Louisville-Jefferson County merger. Evidence from the Comprehensive Annual Financial Report bears this out. Before the merger, the City and County spent a combined $552.4 million. Two years after the merger the Metro government had expenditures of $549.8 million—a decrease of less than one-half of one percent.

- Saving money was also not the primary goal of the Indianapolis-Marion County merger. In fact, both the City and County have separate budgets that must be approved by the mayor and council. Thirty-five years later, as the UnivGov is facing its own financial crisis, the current mayor is pushing a new merger initiative aimed at consolidating city and county functions as well as folding in the remaining towns and cities within Marion County.

- One impediment to saving money by consolidating city and county departments is merging pay scales. Often times the wage rates of the lower paid department are raised to match that of the higher paid counterpart.

- The merger least likely to be used as a meaningful example by merger proponents is that of Philadelphia. Completed in the early 1950s, Philadelphia is a complete city-county merger with no smaller cities or towns within its border, unlike Indianapolis and Louisville. Much like Indianapolis, Philadelphia has been having financial difficulties since the early 1990s and has been under the watch of a state appointed oversight board. Philadelphia's combined per capita expenditures exceed those of Allegheny County and its municipalities by 60 percent.

- The Indianapolis-Marion County merger has not made the consolidated city a more attractive place to live. While the population of Indianapolis has increased by 4 percent over the last decade, the counties surrounding Marion County have seen their population increase by 24 percent.

Introduction

The topic has been swirling around Pittsburgh for quite some time—merging the City with Allegheny County. The reasons for considering a governmental merger are mostly driven by the needs of a financially struggling city looking for help from the county and its residents. For those who believe consolidating services will save money for both the City and County, the onus is on them to prove that is true. There is evidence from other city-county mergers around the country that could help decide whether or not merger induced cost saving is a reality.

Mergers of Louisville-Jefferson County, Kentucky, Indianapolis-Marion County, Indiana, and Philadelphia, Pennsylvania provide three unique opportunities to evaluate the impact of mergers. Louisville-Jefferson County is the most recent merger, having officially begun in 2003. The Indianapolis-Marion County merger, known as UniGov, began in 1970. The Philadelphia merger, which began in 1854 when the City and County lines merged, was completed in 1952 when the City assumed remaining County functions. These three mergers offer glimpses into the successes or failures of merging cities with their host counties.

The road to merger has been accomplished by one of two approaches: referendum or state mandate. The Louisville-Jefferson County merger was accomplished through a referendum. However, Kentucky's Legislature gave permission, through special legislation, for the referendum. Earlier referenda failed on three previous occasions (1956, 1982, and 1983) before finally succeeding in 2000.

The Indianapolis-Marion County merger was ordered by state legislation. The driving force behind this merger was then-Mayor Richard Lugar whose primary goal was to improve the City's image and rebuild its downtown core. The Legislature agreed and crafted legislation that enacted UniGov, but left in place separate city and county budgets that pay for most local services.

Whether or not Pittsburgh and Allegheny County officials can muster the necessary support in the Pennsylvania General Assembly to put a merger referendum before the voters remains to be seen.

Reasons for Merging

Louisville-Jefferson County, KY

The Louisville-Jefferson County merger had three failed referendum votes before being approved in 2000 (54 percent to 46 percent). Many accommodations were made by the writers of the legislation to appease groups such as labor unions and the NAACP (the two main opponents to the merger) to ensure its passage not only in the Legislature, but also at the polls. The Legislation authorizing the merger (HB 647) guaranteed the unions that the new government would recognize and continue to bargain with any public employees' union recognized by either of the previously existing city or county governments. There were also many promises made in the law to ensure affirmative action and that minorities would have ample representation in the new government.

The success of the November 2000 attempt at the polls was attributed to a "lowering of expectations" that helped to garner support from every past and present Louisville Mayor and Jefferson County judge-executive. According to an analysis by Governing Magazine, "…merger proponents were careful to give voters few specifics to worry about. The ballot measure simply provided that the city and county would become a single unit…Beyond changing the nature of these elected offices, nothing was settled as to whether agencies or even administrative functions of the City and County would be consolidated."[1]

The main reason given for consolidation was to enhance economic development. City and County government agencies were viewed as being in conflict, causing economic development efforts to be ineffective. For example, the Mayor of Louisville wanted a sports facility to attract a professional basketball team, while the County Judge-Executive did not. Louisville development officials expressed frustration that the two governments could not agree on what type of development they wanted, where they wanted to put it, and what types of incentives to offer. The two governments acted more as rivals than partners in economic development and this type of bickering was seen as a major reason the area lagged neighboring cities, such as Indianapolis, in growth.

Unifying the government and increasing the size of the City was seen as a way to bolster Louisville's image and to boost economic growth. Via merger, Louisville would vault from the sixty-fifth largest city in the country to the sixteenth. Their slogan was "America's Newest Top Twenty City". The hope of course, was that having a larger population would be a selling point for businesses and firms looking to relocate. One of the stated goals of Louisville's leaders was to transform the new City into a sports and convention destination like Indianapolis, which was successful in luring the NFL Colts from Baltimore and bringing in the headquarters of the NCAA. In early 2000, prior to the merger vote, Louisville was in contention for the NBA Grizzlies, who eventually chose Memphis over Louisville.[2] This loss seems to have strengthened the resolve to

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[1] Greenblatt, Alan. "Anatomy of a Merger: Greater Louisville is About to Be Born. How Much Greater Will it Be? Governing Magazine. December 2002. http://www.governing.com/archive/2002/dec/louis.txt.

[2] In 2001, the city also pursued the NBA Hornets, who relocated from Charlotte to New Orleans.

build a sport's facility to lure a professional team to the City. It was largely believed that this type of development could not have taken place without the merger—but was a very strong possibility with it.[3]

One thing that was never mentioned in pre-merger talk was the consolidation of services, departments, or authorities in an effort to save money—the reason for merger talk in Pittsburgh. The law authorizing the referendum, H.B. 647, left intact all former county level offices (County judge-executive, justices of the peace, and County commissioners) even though it limited their powers. Also, the merged government did not affect County row offices that continue to be funded by the new government and have the same power and duties as before the merger. The law specifically states, "All taxing districts, fire protection districts, sanitation districts, water districts, and any other special taxing or service districts of any kind…shall continue to exercise all the powers and functions permitted by…the Commonwealth of Kentucky."[4]

No promises were made to consolidate departments or functions to save money. The only promise made was that taxes would not increase nor would services decrease as a result of the merger. Two years after the official start of the merger, that promise is becoming difficult to keep.

Indianapolis-Marion County, IN

The model held up by officials in Louisville was Indianapolis. Indianapolis merged with Marion County in 1970. The new government was called the UniGov. Unlike the merger of Louisville and Jefferson County, which was approved via referendum, the merger of Indianapolis and Marion County was accomplished through the state legislature. The Indiana law creating the merger allowed for the consolidation of powers of the mayor and county executive as well as between City and County councils.[5] It did not mandate the merging of departments, agencies, or other taxing districts.

The only functions that were specifically assigned to the County were economic development, public works, parks, transportation, and some areas of public safety. In fact, post merger, the City of Indianapolis and Marion County still have several separate departments and separate budgets that must be approved by the consolidated 29-member council.

Again, the reasons for merging were simple: improve Indianapolis' image and spur economic development in the downtown area. As noted by Mark Rosentraub, "…it is fair to conclude that elevating the city's national image, improving its prestige, and making downtown Indianapolis an attractive destination for people were goals."[6] To that

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[3] Kentucky Governor Ernie Fletcher appointed a task force in April 2005 to study the issue.
[4] Commonwealth of Kentucky, Legislative Research Commission. H.B. 647. 2000. Page 7.
[5] Indiana Code 36-3-1.
[6] Rosentraub, Mark S. "City-County Consolidation and the Rebuilding of Image: The Fiscal Lessons from Indianapolis's UniGov Program". State and Local Government Review. Vol. 32, No.3 (Fall 2000): PP 180-91. Page 181. http://www.cviog.uga.edu/slgr/2000cc.pdf

end, UniGov was able to borrow more money for economic development projects because the total value of assessed property within the City limits increased. This allowed the City access to more capital than under pre-merger conditions.[7]

Post Merger Results—Economic Development

Metro Louisville

"If I were a betting man, within six months you'll see some significant announcements…because we're able to act more quickly and more decisively with one government and one public leader." –Metro Louisville Mayor Jerry Abramson

"I've seen the economy deteriorate rather than improve in this last year."—Former Louisville Alderman Barbara Gregg[8]

Metro Louisville, as it became known after the merger, and its residents were hoping that the new government would encourage economic development in the City. Since the merged government officially began the economic development picture has been decidedly mixed. Without question, Metro Louisville has suffered some major economic setbacks over the past couple of years. The City lost the headquarters of Brown and Williamson when they were acquired by R.J. Reynolds tobacco in a move that cost the city nearly 450 jobs. This came about the same time as the announced call center layoffs involving Sears (245–acquired by Citigroup), Bank of America (250), Providian Financial (353), and Humana (107). In addition, manufacturing plants of Temple-Inland (126 jobs) and the Frito-Lay plant (300 jobs) closed.[9]

There were some additions to the Metro Louisville job market. The biggest announcement was a call center expansion by Citigroup who announced they would retain 500 jobs at their Louisville call center. In addition to retaining jobs, they will invest $36 million into building a new call center, adding 1,600 new jobs.[10]

As important as this announcement is to the Louisville economy, it does not come without a price to the taxpayers. Citigroup will be given $20 million in financial assistance including an exemption from paying local property taxes for 20 years. The package also includes Metro Louisville giving them "half the money its employees pay in occupational taxes for 10 years and Kentucky will give Citigroup two-thirds of its employees' income tax payments for up to 10 years."[11]

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[7] Ibid.

[8] Tompkins, Wayne. "Big Merger Benefits Expected." *The Courier-Journal*. January 4, 2004. www.courier-jouranl.com

[9] Tompkins, Wayne. "It's Great to Have a Win". *The Courier-Journal*. March 4, 2004. www.courier-jouranl.com

[10] Ibid. Page 2.

[11] Ibid. Page 3.

The largest private employer in Kentucky is United Parcel Service (UPS). UPS's Airlines division in Louisville employs 20,000 persons. In February 2005, UPS announced they would add 720 jobs immediately and possibly another 400 over the next ten years as it builds a new heavy freight facility in Louisville. As is the case with Citigroup, Metro Louisville and the Commonwealth of Kentucky persuaded UPS with a generous tax-incentive program totaling up to $20 million, depending on how many full-time jobs are created.[12]

Other economic developments achieved by Metro Louisville include: 500 service sector jobs from a new government-subsidized Marriott Hotel and a steel conduit plant (200 jobs—no details available).

While these are certainly "wins" for Metro Louisville economic development officials, whether or not the taxpayers' have won is debatable. The decision of Citigroup and UPS executives to expand in Louisville may have had more to do with the incentive package laid out before them than the improved City image brought about by the merger.

The promise of the merged government was to attract new businesses to Louisville. One heavily recruited firm, Colorado-based Adams Aircraft, did not choose Louisville for the opening of a new manufacturing plant. Instead Adams Aircraft chose to build, and create 430 jobs, in Utah.

During the two years after the merger officially began, and a period of time in which activity and excitement should have been the greatest, the economic development benefits promised have not materialized.

Indianapolis

When the Indianapolis-Marion County governments merged in 1970, the primary goals were to redevelop downtown and make Indianapolis a destination city. To accomplish these goals, the new UniGov crafted a master plan and created an economic development agency that would provide logistical and technical support to prospective businesses looking to relocate to Indianapolis. They then set out to market the new city to sporting ventures, both pro and amateur.[13] However, development was slow in the first few years. As noted by Rosentraub, the city's first accomplishment was Market Square Arena for the NBA Pacers. "Although it is quite likely that (it) would have been developed without the creation of the new governing structure, the establishment (of the arena) in downtown Indianapolis was a direct result of UniGov."[14] This may have been perhaps the most important project for the new City because it accomplished both goals—provided

[12] "UPS Chooses Louisville for $82.5 Million Expansion." Business First. February 25, 2005. http://louisville.bizjournals.com/louisville/stories/2005/02/21/daily44.html
[13] Supra, Note 6. Page 183.
[14] Ibid. Page 183.

development in downtown, at a time when most sports complexes were being built in the suburbs, and improved the City's image as a sports town.[15]

From 1970 to 2000, there were thirty-five large projects constructed in Indianapolis totaling $2 billion. Of the $2 billion, $623 million was private investment while more than $1 billion came from either city or state sources.[16]

In the first decade of the merger, there were only ten projects undertaken, while in the 1980s there were twenty-two projects and in the 1990s the pace slowed to only seven projects. Of the projects undertaken in the 1990s, only one—the expansion of the Lilly Corporation—did not use public money. The government did finance a retail project, the Circle Centre Mall, paying $290 million of the $300 million cost. It is important to note that even though this represents the money used in the construction of these projects, it is not known what other public incentives or subsidies may have been used to bring the projects about.

Much of the development is related to the expansion of the University of Indiana as well as other public projects such as Market Square Arena and a new State Office Center. This type of development, mostly in the old city limits, has taken a substantial amount of property off the tax rolls—an issue that is currently causing problems in Indianapolis.

In the thirty-five years since the merger, there has been substantial development in downtown Indianapolis. Rosentraub notes that there had been $3.15 billion worth of development in downtown Indianapolis from 1974 to 2000. The image of the city has certainly been enhanced by the arrival of the NFL Colts in the early 1980's and the relocation of NCAA headquarters in the late 1990s. It appears that the goals of UniGov have been met—downtown development and improved national image.

The UniGov merger has had the desired effect of spurring publicly funded projects in Indianapolis in the three plus decades since its commencement, using a lot of tax money in the process. However, all has not been unambiguously successful; note that, "…the fastest growing areas in Indiana and the Indianapolis region are those beyond the consolidated city. In addition, a large portion of the jobs created downtown Indianapolis are low paying and in the service sector, and the public sector remains one of the downtown area's largest employers."[17]

[15] Ten of the projects were sports related, from the new headquarters of the NCAA to the Hoosier Dome to the velodrome, Indianapolis has met its targeted goal of being a sports town.
[16] Supra Note 6. Page 184. It is also noted that more than $1 billion in private money was spent on "other projects" from 1974 to 1998 while the City spent another $98 million on "property tax abatement projects.
[17] Supra, note 6. Page 190.

Post Merger Results—Government Consolidation

The overall argument for merging Pittsburgh and Allegheny County is to consolidate governments, in particular duplicative departments, to lower costs. Does evidence from Metro Louisville, Indianapolis' UniGov, or even Philadelphia demonstrate that costs will be lower and government more efficient?

Metro Louisville

Citizens of Louisville and Jefferson were not promised consolidation of departments or services. The promise was of an improved image and better economic development. That was because many services and departments had already been combined. For example, the school districts merged in 1975, leaving only two school systems in Jefferson County—the County public schools (serving Louisville) and one small independent school district in an affluent small city. This is in stark contrast to the 43 districts that dot Allegheny County.

Prior to the officially merged government, there were other services that were combined. The water and sewer authorities were combined in the 1940s. The transit authorities were combined to form the Transit Authority of River City. Purchasing and planning had also been combined prior to the merger.

Perhaps the most important consolidation was a 1985 agreement to share occupation tax revenues.[18] This agreement, known as the Louisville-Jefferson County Compact, was an agreement by the County to collect all occupational taxes in the County, then remit payment to the City of Louisville for its residents' share (about $108 million in 1999), then add another share from non-city County residents (about $9 million). In 1999, the City received about 59% of the occupation wage tax.[19]

Prior to the early 1980s, Louisville was losing residents and its tax base was declining. As a result, tax revenues were not sufficient to cover rising expenditures. To remedy this problem, the City began annexing areas of the County that were not incorporated to increase their tax base and collect more revenue. The County rebuffed the City and the Compact was struck.

The Compact was developed to satisfy the City's need for revenue and preserve the unincorporated areas of the County. But, it also reduced the competition for economic

[18] Occupation taxes are "license fees" imposed on the "privilege" of working within Louisville and Jefferson County in a business, profession, trade, or occupation. Imposed only on the earned income of the taxpayer. Other recipients of this money: the Transit Authority of River City, Jefferson Count Board of Education and the Anchorage Board of Education. Louisville/Jefferson County Metro Revenue Commission.

[19] Savitch, H.V. and Ronald K. Vogel. "Metropolitan Consolidation versus Metropolitan Governance in Louisville." *State and Local Government Review.* Volume 32, No.3 (Fall 2000). PP 198-212. http://www.cviog.uga.edu/slgr/2000ce.pdf

development and improved the management of independent agencies. Agencies such as the Health Department (County), and Human Relations Commission (City) were divided up between City and County control and funding while some agencies remained joint—parks and libraries. The Compact worked well for ten years and was renewed in 1998. It was still in effect until the merger officially began in 2003.

The Compact created a joint City-County economic development office. This office was not successful and as the first Compact expired in 1998, it was eliminated. In it's place was the creation of the a public-private agency called the Greater Louisville Economic Development Conference. Prior to the Compact, city agencies were competing with county agencies for economic development and pitting the city vs. the county for funding. It was believed that the creation of the Development Conference would solve this problem by consolidating the process and coordinating economic development.

As mentioned above, the bickering between the City and County over economic development remained despite the Compact. This was also the case where an agency, such as the library system, was jointly controlled and funded. For example, the City advocated improvements to the library system, but the County did not. This type of bickering paved the way for voters to approve the Metro Louisville Government.

No decisions on consolidations of services were made prior to the merger vote. These decisions would be up to the new mayor and metro council. The only "untouchable" was fire services. They were specifically excluded from the merger and cannot be altered by the new council.

Prior to the legislative action that permitted the referendum, a jointly funded crime commission was assigned the task of studying merger of County and City police departments and had estimated that it would cost $30-$50 million to combine communications systems alone.[20] Other consolidation studies yielded similar estimates. "…An initial financial impact analysis of the proposed merger found 'no major additional costs or cost savings from the proposed reorganization'—partly because functional consolidations have already occurred through joint agency arrangements for providing capital-intensive services and the adoption of the compact".[21]

Although many services and departments had been combined, after the merger vote there was some additional consolidation. The public works, information technology, human resources, and finance departments started to combine after the vote authorizing the merger took place. They wanted to be ready for the 2003 start date of the new government.

The most notable consolidation was between the Jefferson County Police department and the Louisville Police. The new organization is called the Louisville Metro Police Department and provides protection throughout the County. However, the small cities

[20] Ibid. Page 203.
[21] Ibid. Page 204.

that have their own police forces will continue to provide police services.[22] The combined police force did not provide immediate savings for the new government. According to the Metro Louisville 2004-2005 budget, the Metro Police Department required $121.7 million in 2002-2003, $123.6 million for 2003-2004, and will require $126.8 million for 2004-2005.

But again, there were no promises made that consolidation would save money. One factor standing as an impediment to cost savings is the equalization of pay rates between merged departments. This can be especially problematic when there are two different unions and bargaining agreements involved. As stated in the statute authorizing the merger, the new government shall recognize and continue to bargain with any public employees' union that had been previously recognized by the City or County government. Based on the experience of other city-county mergers, costs often increase as the wage rate of the lower paid department is often raised to match that of the higher paid department.[23]

Recent budgets confirm that money was not saved when the governments merged. According to the FY2003 Comprehensive Financial Report, the FY2002 total expenditures for the city of Louisville were $322.7 million while Jefferson County's total expenditures were $229.7 million—for a total of $552.4 million.[24] However, the total expenditures for the Metro Government's FY2003 year stood at $560.2 million—an increase of 1.4 percent. There was a marginal improvement in the FY2004 final expenditures as they fell to $549.8 million—a decrease of less than one-half of one percent from the pre-merger level in FY02.

An important item when considering a merger of Pittsburgh and Allegheny County is that of long-term debt. Metro Louisville handled the problem by simply assuming both the City and County debt loads. Prior to the merger, the City of Louisville had $82.5 million in outstanding General Obligation Bonds while Jefferson County had $174.9 million. This amounted to approximately $325 per capita in the City and $255 per capita in the County. When combined there were $257.4 million in General Obligation Bonds outstanding when the new government took effect.[25] The primary collateral for these bonds is the occupational license tax and the net profits collected by the new government.

The entities had also brought other debt issues along into the merger that was absorbed into the new Metro government. Total debt service after the merger (principal, interest,

[22] The Courier-Journal. "Questions and Answers: Guide to Merged Government". Louisville, Kentucky. January 6, 2003. http://www.courier-journal.com/kyguide/merger03/qa.html.
[23] McDonough, Rick. "Mergers Elsewhere." *The Courier-Journal*. October 1, 2000. www.courier-jouranl.com
[24] FY 2003 Comprehensive Annual Financial Report. Louisville-Jefferson County Metro Government. http://www.loukymetro.org/Department/Finance/AnnualReports/FY03AnnualReport.pdf. Since this fiscal year straddled the official merger date, the amounts include the budget revisions through the year. Page 71.
[25] Ibid. Page 54

and service charges) was $32.5 million or $47 per capita.[26] The City of Pittsburgh has roughly $890.6 million in debt or $2,716 per capita (9 times the Louisville level), while Allegheny County has roughly $621 million in general obligation debt or $515 per capita—one-fifth the amount of the City. If combined the total debt levels would be more than $1.5 billion in General Obligation Debt or approximately $1,260 per capita. It seems highly implausible that County taxpayers would be willing to take on the City's large debt.

Another important issue is pension funding. Pittsburgh has a crisis in its pension funds that was not present in pre-merger Louisville. According to the 2003 Comprehensive Annual Financial Report, Pittsburgh's pension plans are only 41 percent funded with $453 million in unfunded accrued liability. By comparison, in Louisville nearly all government employees are enrolled in a statewide pension plan that is 75 percent funded by the Commonwealth of Kentucky.[27]

However, some police and fire employees (less than 600) are enrolled in other pension plans for which the Metro Government has assumed control. Metro Louisville made payments of $1.5 million and $1.4 million to the pension fund for firefighters and police respectively. In Pittsburgh, the payments to the police pension fund stood at $12.9 million and $6.6 million for the firefighters, as well as $4.3 million for the municipal workers' pension fund. It is highly unlikely that Allegheny County voters will be willing to assume the largely unfunded, generous pension plans of Pittsburgh's employees.

Indianapolis

When Indianapolis merged with Marion County, it did not affect the townships within the county. Also there are four cities (of twenty-two) that opted not to join the consolidation (Beech Grove, Lawrence, Southport, and Speedway). These cities all have their own elected officials and provide services to their own residents. Two of the cities, Beech Grove and Speedway, have their own school districts. As noted by Rosentraub, when UniGov was implemented there was "no change to the number of townships (9), school districts (11), police departments (7), plus several small areas with patrol functions provided by small or private police departments, or fire departments (8). The number of special districts actually increased from 16 to 20."[28] These entities combined represent eighty-five different taxing districts.

There are nine townships in Marion County with responsibility for certain levels of service such as fire and ambulance. They also provide income assistance to eligible residents, park and cemetery maintenance, weed control, fencing regulations, animal control and licensing, as well as maintain a small claims court.[29] They even have their

[26] This amount increased slightly to $35.2 million for FY04. Comprehensive Annual Financial Report. Louisville-Jefferson County Metro Government.
http://www.loukymetro.org/Department/Finance/AnnualReports/FY04AnnualReport.pdf
[27] E-mail correspondence with Todd Coleman, Division of Internal Audit, Kentucky Retirement Systems.
[28] Supra. Note 6. Page 182.
[29] For claims less than $6,000.

own property assessors that work in conjunction with the county assessor to set property values.

The legislation that created UniGov kept separate the City and County budgets. While the Mayor of Indianapolis is also the executive of Marion County and there is a single twenty nine-member council, separate City and County departments such as human resources remain. Some services were consolidated such as the Department of Public Works, the Department of Capital Asset Management, and the Department of Waterworks.

Thirty-five years after the UniGov experiment began, the current mayor of Indianapolis is calling for the consolidation of the remaining departments and townships to complete what the merger had begun in 1970. Proponents of the Mayor's plan claim that consolidation would save citizens money by eliminating duplicative services. Despite the putative success and publicity surrounding their amenities such as sports teams, convention center, and cultural attractions, the UniGov is projected to have a budget deficit of $50 million in FY 2005. The "Indianapolis Works" campaign claims that consolidation would save the City $35 million annually. The rest of the shortfall would be "covered through a rise in County option income taxes and continued belt tightening."[30]

According to the 2003 Comprehensive Annual Financial Report for the City of Indianapolis, total expenditures were $788 million—a 13 percent increase over 2001's spending level $695.5 million.[31] By comparison, the percent change in the City of Pittsburgh's comparable expenditures from 2001 to 2003 was 4.6 percent ($474.4 million to $496.2 million).

Spurred by budget problems, Mayor Bart Peterson believes combining the functions of the City and County as well as the remaining townships will save money. His arguments sound familiar: too many tax-exempt properties and too many people living outside of the City are using its amenities. His "Indianapolis Works" proposal would merge remaining departments such as police and fire as well as the 11 townships in Marion County. He estimates that by folding the remaining townships into the UniGov system, taxpayers would save money through economies of scale.[32]

The proposal claims the combined cost of City police and County sheriff's department will be $240 million for 2005—more than one-third of the projected combined total City-County budget. By consolidating the two departments, the mayor estimates they can save $8.8 million.[33] The new metropolitan police department would also allow the police departments of the remaining cities to merge, although it would not be required.

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[30] Clifford, Bob. "Pass Indy Works or Suffer Consequences." The Indianapolis Star. www.IndyStar.com. April 12, 2005

[31] Comprehensive Annual Financial Report. City of Indianapolis. Page 131. Consolidated City population was 794,000 in 2002 (page 147).

[32] "Streamline Townships". Greater Indianapolis Chamber of Commerce. www.IndyStar.com. April 6, 2005

[33] "Merge Police Departments". Greater Indianapolis Chamber of Commerce. www.IndyStar.com. April 6, 2005

Another aspect of public safety is fire and emergency medical services. In the consolidated city of Indianapolis there are eight fire departments along with the airport department and the Indianapolis Fire Department.[34] Seven township fire departments also provide ambulance service for their communities. Indiana University provides ambulance service for Marion County. The proposed "Indianapolis Works" would combine all fire departments. This would eliminate duplicative functions such as fire prevention, training and administration. The proposal would also unify the ambulance service. All told it is estimated to save taxpayers in the county approximately $20.8 million.[35]

Why the push to consolidate functions after 35 years of the consolidated city? Very simply put, Indianapolis is facing a budget crisis similar to the one that led Pittsburgh to ask for Act 47 status. Two large reasons for both cities' financial problems are increased pension costs and mounting debt problems. Pension costs, especially for firefighters and police officers, have risen dramatically for years. Indianapolis wants to borrow to cover the cost of obligations. According to Bob Clifford, "pension obligations owed to police and firefighters hired by the city before 1977 now take away $54 million of operating funds from our Indianapolis police and fire departments."[36] The City's 2003 CAFR lists employer pension contributions to the police and fire pension fund totaling $27.7 million while the state of Indiana contributed another $24.5 million.[37] At the end of 2003 the consolidated city of Indianapolis had $1.31 billion in outstanding long-term debt—approximately $1,640 per capita.[38]

The reason cited for the financial troubles in Indianapolis is that expenses are increasing faster than tax collections, specifically property tax collections—the main source of revenue. While the population of the consolidated city of Indianapolis has risen 4 percent over the last 10 years, population has been increasing faster in the areas just outside of the consolidated city. Counties surrounding Marion County experienced population growth of 24 percent over the same period.[39] The clear conclusion is that merging the city and county in 1970 did not make the merged city more attractive than the suburbs as a place to live.

Philadelphia

The Philadelphia merger offers a clear example of how a city-county merger might play out over the long term. Philadelphia's merger, which began in 1854 and was finalized in 1952, is complete with government powers vested in the Mayor and City Council. Moreover, there are no other "pesky" municipalities to create fragmentation, which we

[34] This does not include the departments from independent cities Beech Grove, Lawrence, and Speedway.
[35] "Consolidate Fire Departments". Greater Indianapolis Chamber of Commerce. www.IndyStar.com. April 6, 2005.
[36] Supra note 29. Page 1.
[37] Supra note 30. Page 126.
[38] Does not include Marion County Debt. Supra Note 30. Page 12.
[39] Counties in the Indianapolis MSA include Boone, Hamilton, Hancock, Johnson, Madison, Marion, Morgan, and Shelby.

have been told for years is a primary deterrent to progress in Allegheny County. Despite having been merged for decades, Philadelphia still has serious economic problems and has been under a state-appointed oversight board since 1992.

Combined city-county expenditures in Philadelphia for 2004 were $3.28 billion or $2,198 per resident. In Allegheny County, the combined cost of providing municipal and county services is just under $1,400 per resident. Thus, Philadelphia's per capita governmental costs are 60 percent higher than expenditures in Allegheny County and its municipalities. Philadelphia provides no evidence that completely consolidating a city and county produces savings for taxpayers.

Like Pittsburgh and Indianapolis, Philadelphia has a mounting debt problem. City Controller Jonathan Saidel observes "Philadelphia continues to lose jobs and residents, but is assuming more and more debt that will have to be repaid by a dwindling number of taxpayers."[40] For FY2003 Philadelphia spent more than $107 million on debt service. Philadelphia's per capita total outstanding debt was $3,203 per person—more than $4.7 billion in total, $829.7 million in general obligation debt, and revenue bonds of more than $3.95 billion.[41]

Whenever talk centers on city-county mergers, the city that is least likely to come up is Philadelphia. However, it is one of the few complete models in the country. It is more complete than Metro Louisville and Indianapolis in that there are no remaining cities or towns and one consolidated government is providing all functions and services. The reason it is not mentioned is that it has been under a state appointed fiscal oversight board and is beset by high taxes and low economic performance. It does suggest caution against the belief that a large, merged government is necessarily more cost effective.

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[40] Saidel, Johathan C. "The Debt Threat: Mortgaging Philadelphia's Future." Office of the Controller. October 2004. Page 2.

[41] "Annual Report of Bonded Indebtedness." City of Philadelphia. Department of Finance. http://www.phila.gov/reports/pdfs/bonddebt03.pdf. Page 17.

Conclusion

The three cities discussed above, Metro Louisville, Indianapolis, and Philadelphia offer three unique looks at city-county mergers. Metro Louisville is the most recent having begun in 2003. However, it was not undertaken in an effort to reduce the costs of government as much as it was to promote the city and improve its economic fortunes. To date there have been substantial layoffs and many of the economic development improvements have been aided by generous taxpayer subsidies. The new government has not seen much in the way of economies of scale because it was not specifically designed to merge city and county departments. Any savings from those departments that were merged have been negligible at best.

The merger between Indianapolis and Marion County, UniGov, took place thirty-five years ago and was held up as the premier example of how a merger can work. But it was a very limited merger in that the city and county each had separate budgets that had to be approved by the mayor and council. There were duplicative services at both levels of government as well as cities and towns that were untouched by the consolidation. Increasing debt and mounting pension costs—problems similar to those of Pittsburgh—have overshadowed whatever success the consolidated government had in terms of economic development. The increasing costs of the Indianapolis government has caused a new effort by the current administration to advocate another merger drive to consolidate duplicative services of the city and county as well as folding in the remaining cities and townships.

Perhaps the least mentioned city-county merger is that of Philadelphia. Its consolidation began in the late 1800's and became complete in 1952. It is a complete merger in that sense that unlike Metro Louisville or Indianapolis, there are no separate city and county functions and there are no independent cities or townships within the county. It has also been around long enough to offer those interested in mergers a long-term analysis.

Whatever benefits each city claims from its merger, the one that is not mentioned is cost savings. Philadelphia and Indianapolis both had financial difficulty after 40 and 35 years respectively—with Philadelphia seeking state help in 1992 and Indianapolis officials seeking more consolidation in an effort to rectify their budget deficit. Metro Louisville is struggling with holding tax increases at bay to pay for services. Therefore if proponents of a Pittsburgh-Allegheny County merger are looking to save city and county residents money they may want to look at taking smaller steps such as sharing services where appropriate, outsourcing city and county functions such as fleet maintenance, and reducing per capita expenditures to comparable levels with more successful cities.

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