



Zion Township Efficiency Study

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December 8, 2016

As part of a student project for the
Metropolitan Planning Council (MPC) and Zion Township

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EXECUTIVE SUMMARY

At Zion Township's request, a team of Harris Policy Lab students at the University of Chicago, Harris School of Public Policy, was tasked with conducting a study in order to understand the implications of four different scenarios involving Zion Township. In this case study, we evaluate: (1) the current operations of Zion Township; (2) a merger with neighboring Benton Township; (3) the impact of consolidation with the City of Zion; and (4) the total dissolution of the township. We evaluate each scenario according to the following checklist:

1. Assess legal barriers
2. Review governance structure
3. Analyze service provision
4. Explore tax implications
5. Identify possible fiscal impacts and efficiencies.

Using this method, we are able to show that the Zion Township Assessor's and Supervisor's Offices are performing their duties at the efficient level with respect to other townships in Northeast Illinois. There are also some efficiencies to be gained if the Township were to merge or consolidate with another jurisdiction. These efficiencies come from (in decreasing order of dollar value) personnel reductions, combining office space and legally integrating the Townships' administrative functions. These savings amount to roughly one-sixth of the 2016 budget baseline.

There are also several legal hurdles to a consolidation, which we also address. It seems clear that special state legislation will be required in order for Zion Township to consolidate or merge with the City of Zion or Benton Township. We also discuss previous instances of township consolidations. We find the legal hurdles and practicality of dissolving the Township to be nearly insurmountable. Our findings are summarized within Table 0.1.

	Scenario 1 Status Quo	Scenario 2 Horizontal Merger	Scenario 3 Vertical Consolidation	Scenario 4 Dissolution
Legal Barriers	None	High - referenda, approval by County, or legislation	Moderate - legislation, agreement of Zion only	Severe - petitions, referenda
Government Structure	No change	Eliminate 1 Assessor and 1 Supervisor, other optional changes	Bring Supervisor and Assessor's offices under City structure, make 2 new City departments	All townships in Lake County dissolve, County Government structure changes
Physical Infrastructure	No change	Consolidated into Zion HQ and Zion City Hall OR Zion HQ and Benton HQ	Consolidated into Zion City Hall	N/A
Taxes	No change	Up in Benton, Down in Zion	Down in Zion	N/A
Savings	None	\$217,000 yearly or 15% of 2016 budgets	\$158,000 yearly or 17% of 2016 budget	N/A

Table 0.1: Summary of Findings

I. INTRODUCTION

The push for greater government efficiency at the local level has become an increasingly important issue for many Illinois residents. Suffering under the largest median property tax rates in the country, many Illinois taxpayers and policy analysts point to the large number of distinct taxing bodies and myriad layers of government as the primary driver of high tax rates¹. As a result, government consolidation, or the incorporation of services and taxing authority from one government unit into another unit, or dissolution, the outright elimination of a government unit, have become popular theoretical solutions to this problem.

Public discourse on government consolidation often identifies townships as one the easiest layers of government in Illinois to consolidate or dissolve; however, there exists a lack of transparent research which objectively compares the costs and benefits of township consolidation scenarios, as well as information identifying various legal and fiscal barriers.

After Zion Township partnered with the Metropolitan Planning Council, a team of Harris Policy Lab students at the University of Chicago, Harris School of Public Policy was tasked with conducting a study in order to understand the implications of four different consolidation scenarios involving Zion Township. In this case study, we evaluate: (1) the current operation of Zion Township; (2) a merger with neighboring Benton Township; (3) the impact of consolidation with the City of Zion; and (4) the total dissolution of the township, as shown in the graphic below (Figure 1.1). These are the results from this study.

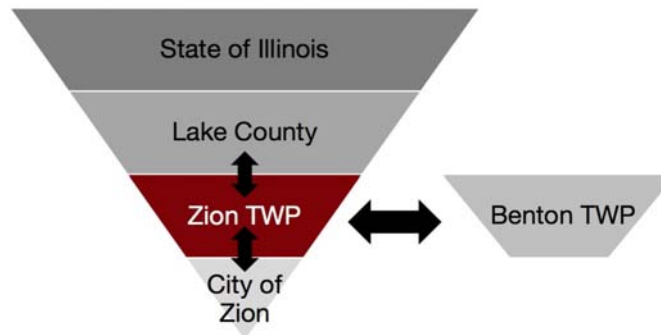


Figure 1.1 - Four consolidation scenarios involving Zion Township

¹ <http://www.chicagotribune.com/business/ct-illinois-property-tax-rate-0428-biz-20160427-story.html>

Zion Township is coterminous with a municipality, meaning that it shares the same geographic boundaries with a municipality. That municipality is named the City of Zion; frequently we refer to the shared area as simply Zion. Throughout this study we use the words consolidation, merger, and dissolution: each term has a particular meaning, and we have tried to maintain consistency throughout. For reference:

Merger refers to Scenario 2; under this scenario Zion Township merges with neighboring Benton Township to create an entirely new combined township. In this case, all duties, assets, and debts are combined into this new entity.

Consolidation refers to the scenario in which Zion Township combines totally with the City of Zion (Scenario 3); in this case, all duties, responsibilities, assets, and debt would be inherited by the City and the Township would no longer exist.

Dissolution is used primarily when analyzing Scenario 4. Under this scenario, Zion Township would dissolve completely. To paraphrase the Illinois Township Code, it would be as if Zion Township had never existed.

Our systematic approach evaluates each of the four scenarios according to what Zion Township would look like, or how it would have to change in order to implement them. Specifically, we:

1. Assess legal barriers,
2. Review governance structure,
3. Analyze service provision,
4. Explore tax implications, and
5. Identify possible fiscal impacts and efficiencies.

A consolidation may be a prudent decision for Zion Township for several reasons. First, a consolidation could save money, which could then be used to either increase the services provided to residents, or lower property taxes levied. In addition to concerns about high taxes in the community, the Township has sharply curtailed its general assistance (GA) program and other community services in recent years. Savings from consolidation could provide additional resources to meet more citizens' needs.

Second, consolidation could lead to better service provision for residents. Eliminating one government body could result in less confusion and greater efficiency for at-risk citizens. A larger, combined Zion-Benton Township could have more specialized staff members for

different types of need, or a combined city-township could provide services to residents in-house instead of having to refer them to a separate organization.

Third, this consolidation could set an example for the community and the state of Illinois at-large. Illinois has more units of local government than any other state in the nation,² which has resulted in residents facing higher tax rates than they otherwise would.³ Further, residents of Zion face high tax rates, even for citizens of Illinois.⁴ High tax rates have been cited by local officials in Zion as a factor keeping new businesses away. Consolidating Zion Township could not only be used as an example for other townships in Illinois but it could also inspire other units of government that overlap with Zion Township to look for similar savings opportunities as well.

In a consolidation, prospective savings could come primarily from combining the workspaces of the two merged entities, eliminating duplicative staff, and reducing money spent on miscellaneous services such as accounting. Geographically, Zion and Benton Townships are two of the three smallest townships in Lake County, serving relatively small populations compared to neighboring townships. A merged entity could easily scale the services provided such that the new township works effectively to serve its citizens. Further, since Zion's City and Township already serve the same population, and have the same leadership, a consolidation could be accomplished without affecting differing jurisdictions. There are legal and political challenges that must be taken into account when considering each of these scenarios. We will address them for each scenario as they are appropriate.

1. TOWNSHIP CONSOLIDATION EFFORTS IN ILLINOIS

To date, two townships in Illinois have successfully consolidated into coterminous municipalities: Evanston and Belleville Townships. According to Evanston officials, comparing the last year of township expenses (2012) to the first year of expenses under the newly consolidated unit (2015) shows that the consolidation yielded approximately \$780,000 in savings to Evanston constituents.⁵ The consolidation of Belleville Township, which is expected to be fully incorporated with the City of Belleville by May 2017, is estimated to save Belleville taxpayers approximately \$260,000 per year.⁶ Both of these cases have been touted by politicians and local media outlets as huge successes in terms of removing duplicative

²<https://www.illinoispolicy.org/reports/too-much-government-illinois-thousands-of-local-governments/>

³http://harris.uchicago.edu/sites/default/files/working-papers/wp_07_05.pdf

⁴<http://www.chicagotribune.com/business/ct-illinois-property-tax-rate-0428-biz-20160427-story.html>

⁵<http://www.chicagotribune.com/suburbs/evanston/news/ct-evr-township-savings-tl-0811-20160809-story.html>

⁶<https://www.illinoispolicy.org/belleville-votes-to-dissolve-township-save-taxpayers-260000-per-year-starting-may-2017/>

government units, relieving some of the tax burden on residents, and promoting the efficient use of public resources.⁷⁸

Government consolidation efforts in DuPage County have also garnered attention among local media and elected officials. Local government reform in DuPage County was a two-pronged approach: an initial piece of legislation required that units of government with boards that are majority appointed by the County must submit operating and financial records to the County for review. A second related bill was then passed allowing the County to dissolve any unit of government (applicable only to units that are majority appointed by the County) that does not maintain staff or equipment (SB 494). Originally, the bill identified 24 potential units for dissolution; it was later amended to include 13.

Recently, HB 229 was passed by the Illinois General Assembly to amend SB 494 to apply to similar governmental districts in McHenry and Lake Counties. While this legislation would not apply to townships (as both the Assessor and Supervisor are elected positions), the fact that such bills have been passed and amended relatively recently, indicates an increased desire by voters and state lawmakers to make local government consolidation easier for communities that wish to pursue this option. Additionally, an inclusion of Lake County in HB 229 suggests that some consolidation efforts may be initiated by Lake County in the future.

2. ANALYSIS OF FOUR SCENARIOS FOR ZION TOWNSHIP CONSOLIDATION

In this paper, we investigate four possible consolidation scenarios involving Zion Township: (1) the status quo, or the anticipated effects of Zion Township remaining unchanged; (2) a horizontal merger, where Zion Township merges with neighboring Benton Township to create a new township; (3) a vertical consolidation, where Zion Township merges into the City of Zion; and (4) the dissolution of Zion Township, where the services currently provided by Zion Township are provided by Lake County. Under each scenario, we have identified and summarized the legal, institutional, and tax barriers, assessed tax implications, analyzed and anticipated changes to township services, and identified possible fiscal impacts and efficiencies. In addition to this general outline for each scenario, the horizontal merger required a detailed comparison of property assessment in both townships, and the vertical consolidation scenario required greater understanding of the implications on tax rates. For both the General Assistance (GA) and Township Assessor, we have used other townships as benchmarks in order to understand the quality of service provided as well as their efficiencies.

⁷ <http://www.chicagotribune.com/suburbs/evanston/news/ct-evr-township-savings-tl-0811-20160809-story.html>

⁸ <https://www.illinoispolicy.org/belleville-votes-to-dissolve-township-save-taxpayers-260000-per-year-starting-may-2017/>

The primary goal for this project is to present a detailed understanding of the four different scenarios for township consolidation. In addition, we have identified several different options under each scenario with the hope of enabling Zion Township to use these suggestions as a means to compare the different costs and benefits of each scenario. This will ensure ease and efficiency in making an informed decision about how to best serve the constituents of Zion. The secondary goal for this project is to create a framework that other units of government facing similar issues can use. For this purpose, the methodology we used to evaluate potential consolidations in an objective and impartial manner has been described in detail below.

The rest of the paper is arranged as follows; First we present our analysis of scenario 1: the status quo; second, we discuss the implications of Scenario 2: merger with Benton Township, third, we consider, Scenario 3, a consolidation with the City of Zion, fourth, we discuss the difficulties in pursuing Scenario 4, the dissolution of the Township, and finally, we present our conclusion where we summarize our recommendations for steps moving forward.

II. SCENARIO 1 - STATUS QUO

Below we describe the basic features of the coterminous City and Township of Zion. We report basic demographic and economic data, describe local government structures, and outline the services currently provided by Zion.

1. DEMOGRAPHICS

The coterminous City and Township of Zion are located just south of the eastern edge of the Illinois-Wisconsin border. Zion is one of the smallest of Lake County's 18 townships, with 24,292 residents in 2014.⁹ Zion residents have lower incomes and are, on average, more likely to be living below the poverty line than Lake County residents (see Figure 2.1 below).

⁹ American Community Survey, 2014

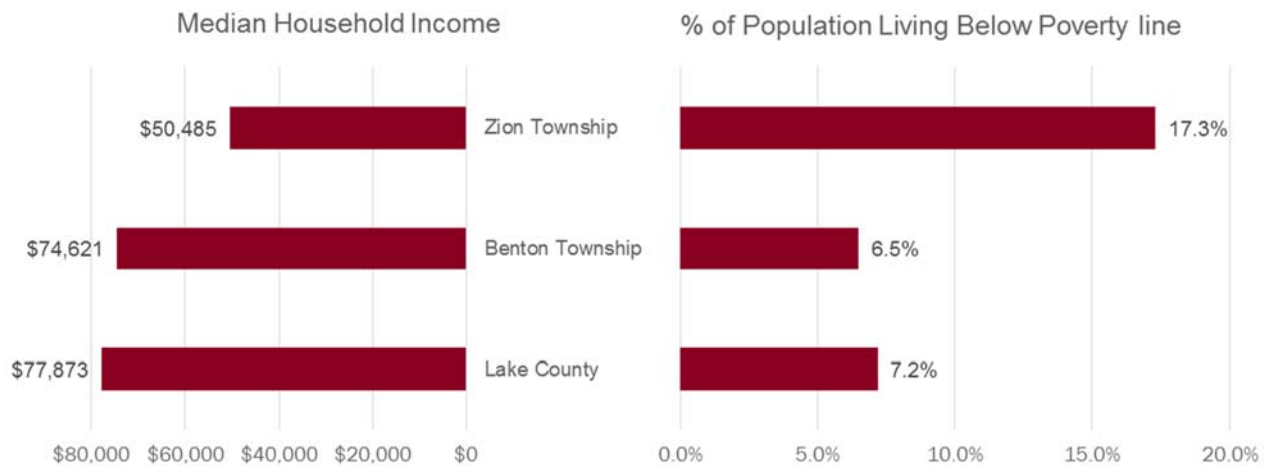


Figure 2.1 – Zion Township vs. Lake County: Income and Poverty Status¹⁰

2. GOVERNANCE

Township government is sometimes described as the unit of government that is closest to the people. There are 18 townships in Lake County and 1,431 Townships in Illinois. The structure of township government acts to serve the individual concerns of local communities and allowing supervisors to determine what services best meet the needs of their constituents.

The three main functions of township government in Illinois are:

- Administering the GA Program
- Assessing Properties
- Maintaining Roads and Bridges

Zion Township performs two functions, and has two corresponding departments; the Supervisor’s office for GA program, and the Assessor’s office for property assessment. The Township has seven full-time officials and employees. The four members of the Supervisor’s Office, including the elected Supervisor who serves as the head of the Township, run the GA and Emergency Assistance (EA) programs. The Supervisor’s Office is also responsible for the general administration of the Township from the Township headquarters building. Along with the Township Supervisor, four Township Trustees serve as the board representing the interests of township residents with voting rights over establishing township policies. The elected Township Assessor is responsible for the appraisal of all taxable property within the township and assists residents with property tax exemptions. The three full-time members of the Assessor’s team work out of Zion City Hall and are responsible for assessing all property in the

¹⁰American Community Survey, 2014

Township every four years. Part-Time Assessors are employed on an as-needed basis every year. The amount of staff in both offices is down from the number in 2012.

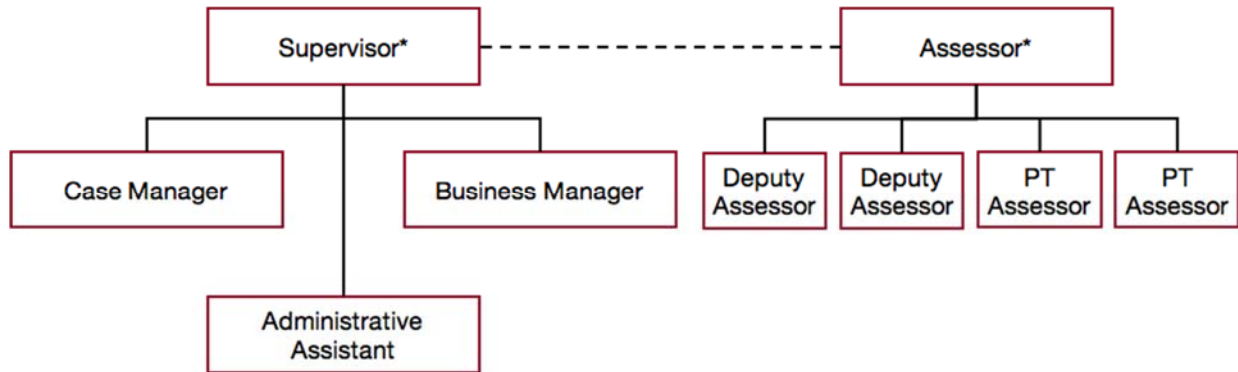


Figure 2.2 - Zion Township Organization Chart; * denotes elected officials¹¹

The City of Zion is a non-home rule municipality organized and operating under the Illinois Municipal Code (65 ILCS 5/1, et seq.). The city council consists of the Mayor and four Councilmen, elected at large from the city for four-year terms. The city government consists of seven departments: Accounts and Finance, Buildings, City Clerk, Economic Development, Fire & Rescue, Police, and Public Works.

Zion Township is coterminous with the City of Zion. Though Zion-Benton Township was established in 1850, Zion Township seceded from Benton in 1930, leaving Zion Township and Benton Township as separate entities. Townships are only responsible for maintaining roads outside of municipal boundaries. Because of this, the City of Zion oversees all road maintenance within the Township’s boundaries. The Zion City Council and the Township Board are comprised of the same elected officials.¹²

3. SUPERVISOR’S OFFICE

Zion Township is required to provide GA by Illinois Municipal Code (60 ICLS 1, et seq.); in addition, the Township also provides EA, which is administered through the GA program. These are services not duplicated by other units of government in this area. In addition to the GA and EA programs, the Supervisor’s Office oversees job training programs, a summer youth work program, and some senior services.

¹¹ Zion Township Homepage (<http://www.ziontownship.org/>) & Interview with Zion Township staff

¹² The four officials elected to the Zion City Council are automatically and simultaneously elected to the Zion Township Board of Trustees as well.

There are three employees in the Supervisor's Office in addition to the Supervisor: a Business Manager, Case Manager, and Administrative Assistant. The Business Manager is responsible for accounting, record keeping, marketing, and other financial administrative tasks. The Case Manager interviews GA and EA applicants, consults with them to build a manageable plan to become self-sufficient, and decides what kind of assistance to provide to the applicant. The Administrative Assistant facilitates the functioning of the office, and assists the Case Manager and Supervisor in administering GA and EA programs as needed.

4. GENERAL ASSISTANCE PROGRAM

The GA program is the local public assistance program of last resort for helping people meet their basic living requirements, and is governed by Illinois Compiled Statutes (305 ILCS 5/6-11). A constituent can get GA only if he/she is not eligible for other forms of public benefits. The program generally serves poor individuals who do not have minor children, do not qualify for the Supplemental Security Income program (SSI), and are not elderly.¹³

The GA program is currently fully administered and funded by the township unit of local government through local property taxes. The types of GA programs, eligibility requirements, and the amount of GA payment depend on each local township's policies. Some townships make cash payments directly to the recipient, and some townships provide vouchers to a specific vendor, such as a landlord, grocery store, or utility company.

In Zion Township, GA and EA programs are for constituents who do not qualify for support services through the Department of Human Services or the Unemployment Office. The number of possible clients who are eligible for GA program in Zion Township is not available. However, we can assume that there are strong needs for GA program in Zion Township based on its demographics and economics: Zion Township has more residents living below the poverty line (17.3%) than Lake County at-large (9.5%), and more single residents (57%) than the State of Illinois at-large (49%).¹⁴ In an interview, the Supervisor of Zion Township shared that constituent need for the GA program have increased since the 2008 Financial Crisis.

Based on Zion Township's annual report, the GA program provides support in the following eight categories: housing, transportation, legal, medical, education, employment, basic unmet needs, and personal goals. The upper limit per month for each case is \$250, and there were 26 monthly-stipend recipients in 2015. Monthly assistance stipends are paid directly to vendors (i.e. landlord, utility company, voucher payment), are not transferable to a family member, and

¹³ Illinois legal aid online, <https://www.illinoislegalaid.org>

¹⁴ <http://www.towncharts.com/>

can only be used to meet basic living expenses (shelter, food, utilities, transportation, and clothing).

In FY 2016, there were 583 GA client appointments within the Township Supervisor’s Office. If we consider this to be the caseload of the Case Manager, it would equate to an average monthly caseload of 49. Based on a previous evaluation of Evanston Township, the average monthly caseload in Evanston Township and four other comparable townships ranged between 30 and 66 cases per Case Manager. If we assume that the amount of work required per client in Zion is similar to that of Evanston, we can conclude that Zion Township’s Supervisor’s Office is performing at an appropriate level. Figure 2.3 summarizes the average GA caseload per case manager in Zion Township, Evanston Township and four of Evanston Township’s peers.¹⁵ Additionally, in an interview with the Case Manager of Zion Township, we learned that, on average, the Zion Township Supervisor’s Office provides about 15 client contacts per day and roughly 9-12 cash grant recipients per month.

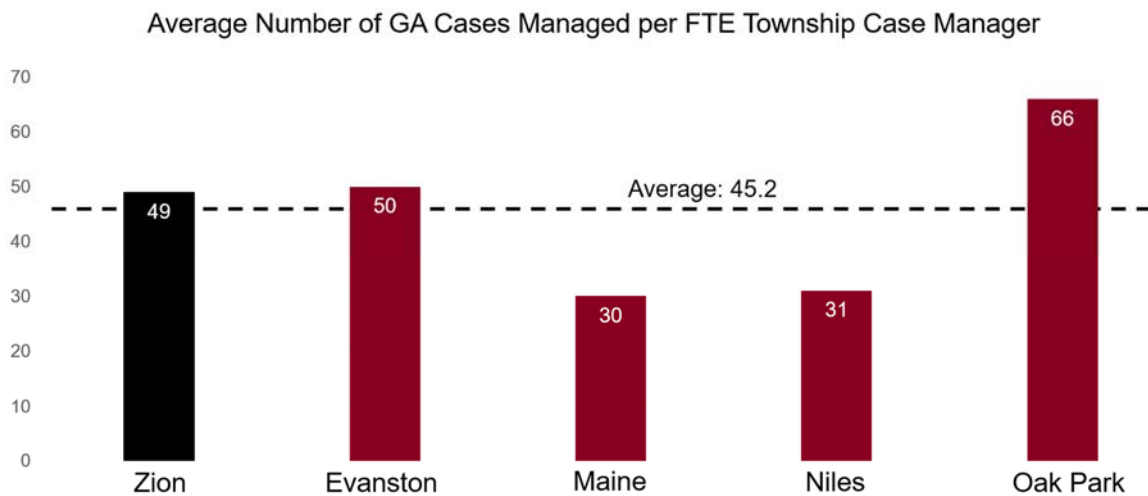


Figure 2.3 - Average GA Caseload per FTE¹⁶

5. ASSESSOR’S OFFICE

In Lake County, it is the responsibility of each township to provide property assessments every four years during what is known as a “Quad Year”. The Township Assessor’s (TA) Office appraises the fair cash value of all real estate as of January 1 of the general assessment year. Property assessment values are then used to determine each taxpayer’s overall share of the tax

¹⁵ In some instances, townships with lower Cases Managed per FTE do not include both GA and EA in this calculation. This explains why Zion Township’s workload can be considered acceptable while being on the higher end of this peer group.

¹⁶ 2015 Annual Report of Zion Township, The dissolution of the Evanston Township Whitepaper (August 2016)

burden. Unless a property owner appeals their property value reported on their annual “blue notice,”¹⁷ most properties are only physically assessed every four years.

The main duties of the TA include conducting general assessments of all non-tax-exempt properties within their township/jurisdiction during every Quad Year and adjusting the valuation of non-tax-exempt properties that have been improved (new buildings added to properties, additional structures, or other improvements) or damaged (destroyed by fires, floods, etc.) within the time period between assessments. However, the TA also performs administrative functions such as casework, assisting taxpayers with filing the information needed for appeals and exemptions, as well as accepting and approving applications for homestead exemptions. When an assessment is adjusted, or a new building needs to be valued in the years between official assessments, the assessor will evaluate and assess these properties and adjust/add them to the valuation of the property for the general assessment. In Zion Township, the TA is also responsible for tracking property sales, tracking opened and closed building permits, and conducting other clerical and data-related tasks. In Zion, the TA Office is located in the Zion City Hall building.

Currently, the Zion TA Office staffs three full time employees, including the elected TA. The TA will also hire part-time employees to help with the assessment process (namely in the Quad Years). Part-Time Assessors are not hired for an entire year, but on an as-needed basis. This is a common practice among all TA offices in Lake County.¹⁸ Table 1.6 helps to provide an understanding of what tasks are being performed by the TA Office on an annual basis.

Zion Township Assessor Office Function				
Year	2012	2013	2014	2015
Hearings with Board Of Review	672	778	428	689
Permits Processed	825	773	792	1075
Sales Processed	401	672	778	520
Postings of value	8031	8043	8051	8088
Parcel Application for Exempt Status	6	24	14	16
Homestead Exemption added	No info	23	60	30
Homestead Exemption deleted	No info	263	157	217
Senior Homestead Exemption Deleted	No info	37	29	21

Table 2.1 - Summary of Zion TA Functions¹⁹

¹⁷ Property owners have 30 days to file for an appeal after receiving a blue notice

¹⁸ As reported by Zion Township Assessor’s Office

¹⁹ As reported by Zion Township Assessor’s Office

6. CURRENT CHALLENGES

Zion is home to a shuttered nuclear power plant which closed in 1997. The resulting collapse in Zion’s tax base has generated significant fiscal pressures since that time. In recent years, the housing crisis and Great Recession of 2008-2010 and beyond have kept overall property values low, with a modest rebound only in the most recent assessment cycle. As a consequence, property tax rates are high in Zion relative to other Lake County communities (Table 2.2).

Lake County Township	2015 Township Tax Rate
Waukegan	0.51%
Zion	0.38%
Warren	0.30%
Grant	0.25%
Lake Villa	0.21%
Wauconda	0.20%
Benton	0.19%
Antioch	0.16%
Fremont	0.12%
Ela	0.10%
Cuba	0.10%
Avon	0.08%
Newport	0.08%
Libertyville	0.07%
Vernon	0.06%
Moraine	0.06%
Shields	0.04%
West Deerfield	0.04%

Table 2.2 – Township Tax Rates in Lake County, 2015²⁰

Since the 2008 Financial Crisis, Zion’s Equalized Assessed Value (EAV) has been trending downward. City officials noted that EAV has begun to rebound in 2016 due in part to a lower number of foreclosures. However, both the City’s and the Township’s financial statements from previous years depict falling revenue as a result of their jurisdiction’s declining EAV. This situation forced an increase property tax rates to maintain tax revenue. This trend is illustrated within Figure 2.4.

²⁰ County Clerk of Lake County, 2015

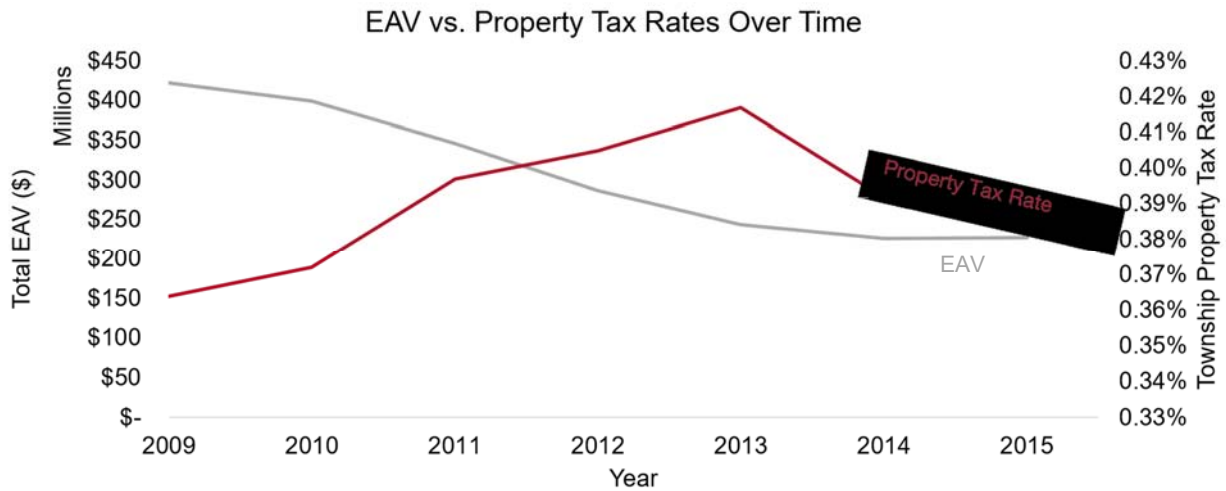


Figure 2.4 - EAV vs. Property Tax Rates Over Time²¹

Zion Township’s 2016 budget expenditures totaled to \$917,000, down from almost \$1.5 million in 2012 (Figure 2.5). Because of the decline in the tax base, and perhaps because of the improving economy, the amount of direct public assistance and community programming disbursed has also fallen from almost \$250,000 in 2012 to just under \$90,000 in 2016. Nearly all areas of spending have seen at least some cuts over the same period.

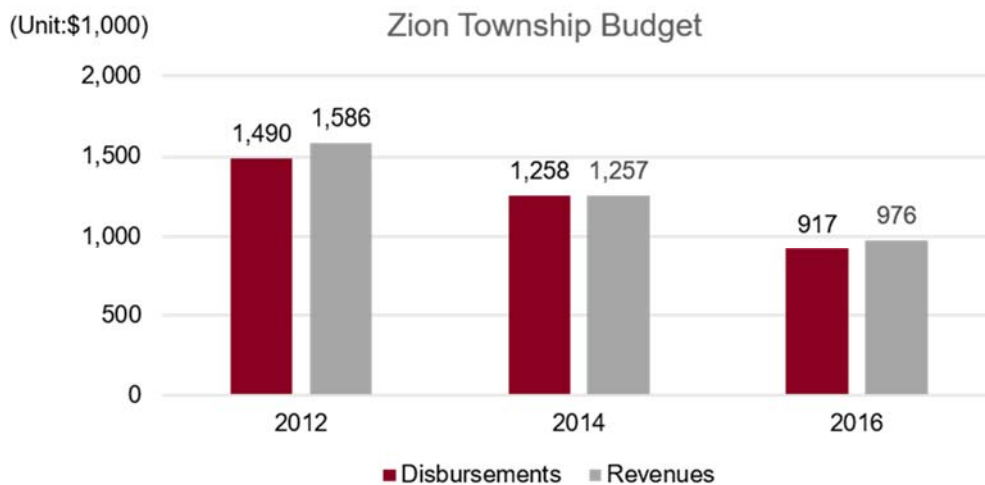


Figure 2.5 - Overview of Zion Township budget

²¹ County Clerk of Lake County

This falling tax revenue has had negative effects on service provision, especially for the GA program (Figure 2.6). During last 5 years, the provision of GA services has declined significantly despite ongoing need for aid in the community. To be specific, from FY 2012 to FY 2016 the direct public assistance expenditure decreased by 56%, from \$112,961 to \$49,200, and community outsourcing decreased by 23%, from \$63,910 to \$49,200. Also, the number of monthly stipend recipients declined 53% from 55 in 2013, to 26 in 2015. Even though the Supervisor’s office has continuously cut administrative costs while trying to leverage third-party resources from the County and Federal Governments, the tax situation has made it difficult to maintain the same level of GA service provision.

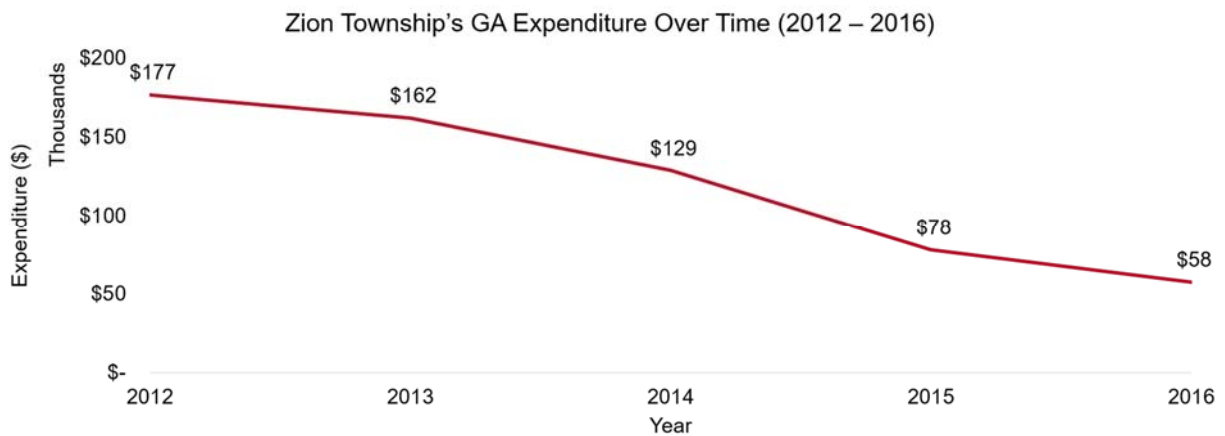


Figure 2.6 - Zion Township’s GA Expenditure Over Time (2012-2016)²²

III. SCENARIO 2 - MERGER WITH BENTON TOWNSHIP

Under a merger with the adjacent township, Benton, Zion Township would merge with its neighbor to create a single township government whose constituency and borders would be made up of what was previously two separate jurisdictions. The following sections will describe the legal, institutional, tax barriers, assessed tax implications, analyzed and anticipated changes to township services, and possible fiscal impacts and inefficiencies we have identified under this scenario.

1. DEMOGRAPHICS

Despite being close in geographic location, Benton and Zion Townships have very different demographic makeups. Benton Township is much more racially homogeneous, has a higher median household income by roughly \$20,000, has a smaller percentage of residents living below the poverty line, and has a greater EAV and EAV per capita (Table 3.1; Figures 3.1 &

²² Annual Budget Report of Zion Township (2012-2016)

3.2). These differences all factor into what a merger of Benton and Zion Townships would look like and must be taken into consideration when understanding this scenario.

Measure	Zion Township	Benton Township
Population Size	24,292	19,057
Living Below Poverty Line	17.3%	6.5%
Median Household Income	\$50,485	\$74,621
Number of Parcels Assessed (Exempt Parcels)	7,831 (504)	7,745 (1,806)
Equalized Assessed Value	\$227,123,714	\$253,555,853
EAV Per Capita	\$9,350	\$13,305

Table 3.1 - Demographic Comparison: Zion and Benton Townships²³

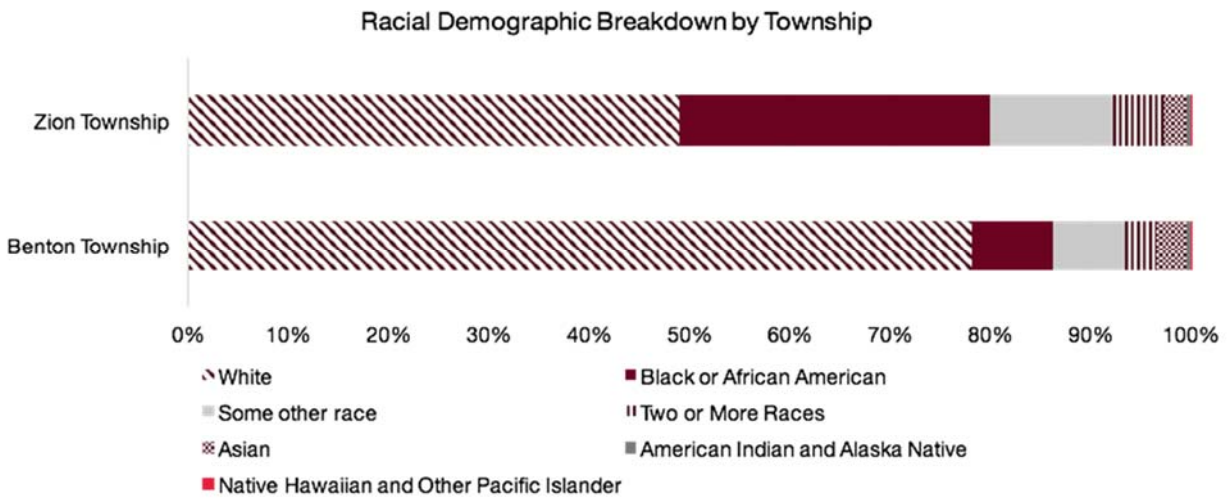


Figure 3.1 - Racial Breakdown of Zion and Benton Townships²⁴

²³ American Community Survey, 2014

²⁴ American Community Survey, 2014

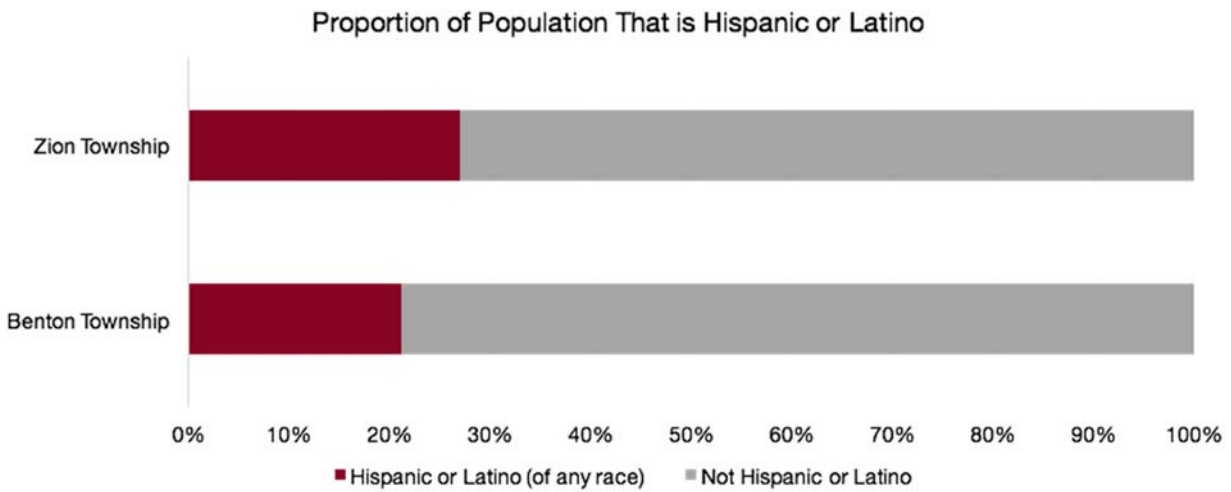


Figure 3.2 - Hispanic or Latino Breakdown of Zion and Benton Townships²⁵

2. ZION AND BENTON BUDGETS

Zion Township’s revenues and disbursements have been falling for the past several years. Disbursements in Benton Township, however, have remained between \$500,000 and \$550,000 since 2012 and revenues have remained steady as well. Benton Township has also seen a similar drop in EAV, but has raised property tax rates in order to maintain level revenues. Actual public assistance is consistently small in proportion to Benton Township’s total budget, while road expenditures vary substantially from year to year. Table 3.2 provides an overview of how each township’s revenues and expenditures have changed since 2012.

Description	2012	2014	2016	2012-2016 % Change
Zion Revenues	\$1,586,000	\$1,256,500	\$975,500	-38%
Zion Disbursements	\$1,490,000	\$1,258,000	\$917,104	-38%
Benton Revenues	\$530,000	\$532,000	\$573,600	8%
Benton Disbursements	\$515,455	\$534,818	\$517,816	1%

Table 3.2 - Overview of Zion and Benton Revenues and Disbursements, 2012-2016²⁶

Table 3.2 identifies the precipitous decline in revenues for Zion Township over the past five years. Impressively, Zion has been able to cut expenditures very quickly to maintain an operating surplus in most years. Cash reserves have grown in both townships over this time period. Zion’s current assets have grown from \$706,000 to \$777,000 from 2012-2016 and

²⁵ American Community Survey, 2014

²⁶ Annual Budget Report of Zion Township (2012-2016)

Benton's have grown substantially, from \$483,000 to \$634,000 over the same period. Final FY 2016 expenditures by fund for both Zion and Benton are summarized in Figure 3.3.

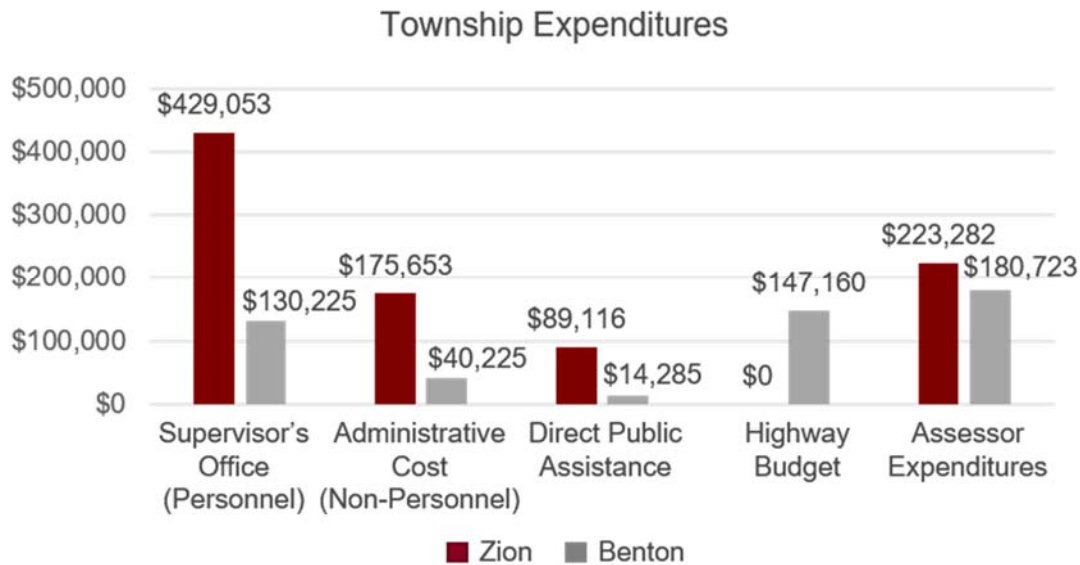


Figure 3.3 - Township Expenditures, 2016

As implied in Figure 3.3, Zion Township spends a great deal more on service provision than Benton. According to our analysis, this includes both a wider range of services, including youth and senior services, as well as a larger staff to administer those services. These figures include yearly expenditures from all five different revenue funds (General, Public Assistance, Social Security, IMRF and Roads and Bridges). Benton has lower expenditures across all departments except for Highways. Zion Township is coterminous with the City of Zion who maintains responsibility over the Township's road maintenance.

Both Townships spend several times as much administering their GA programs as they actually give out in aid or spend on public programming. Personnel expenditures in Zion's Supervisor's Office (\$429,053) make up nearly half of the township's 2016 budget, while direct public assistance, in the form of grants or youth and senior programs, makes up about a tenth of all expenditures (roughly \$89,000). Of this direct public assistance amount, \$57,700 is disbursed as grants, job training, medical or emergency assistance. The township outsources about \$8,500 of this total to local social service providers like food pantries and substance abuse counseling centers.

3. GA PROGRAM IN BENTON

Benton Township has spent about \$10,000 per year on direct assistance through the GA program for last five years: In FY 2016, budgeted expenditures from Benton's GA fund were 16% of Zion's expenditures. Benton does not track the exact number of GA or EA cases

managed, but Benton Township staff estimate that the number of cases managed varies from two to twelve cases every month. In an interview with Jan Suthard, the Benton Township Supervisor, she noted that actual expenditures are significantly lower than her planned budget because there is not as much of a need for GA programs in Benton. This could be partly because there are fewer constituents who are eligible for the GA program in Benton, but it could also be due to a lack of constituent knowledge about the available programs. A detailed summary of both townships' GA budgets is included in Table 3.3.

Description	Zion		Benton	
	Budget	Actual	Budget	Actual
Medical & Dental	\$4,500	\$2,438	\$5,000	
Shelter	\$1,000	\$1,000	\$20,000	\$7,351
Food	\$1,000	\$1,000	\$1,200	\$388
Clothing	\$1,000	\$1,000	\$200	
Job Training	\$4,500	\$4,351		
Flat Grant	\$50,000	\$32,737		
Legal Aid	\$500	\$0		
Emergency Assistance	\$25,000	\$9,573		
Client Service Fees	\$125	\$14		
Transient Assistance	\$500	\$42		
Medical Reserve	\$25,000	\$0		
Substance Abuse Counseling	\$3,000	\$3,000		
Financial Counselling	\$2,500	\$2,500		
Funeral and Burial			\$1,000	
Meals on wheels			\$500	
Transportation			\$2,500	\$1,238
Utilities			\$5,000	\$1,018
Ambulance			\$500	\$0
Travel and moving			\$500	\$0
Personal Essentials			\$1,000	\$215
Gasoline			\$1,500	\$175
Miscellaneous			\$8,000	\$0
Total	\$118,625	\$57,700	\$46,900	\$10,385

Table 3.3 - Zion/Benton Township GA Budget Comparison, 2016²⁷

²⁷ Townships' 2016 Audited Financial Statements

In Benton Township, the Supervisor and one part-time Administrative Assistant are able to manage the provision of both GA and EA services. This is likely because of a smaller population size and a lower required provision of services by Benton constituents. Benton’s Supervisor and Administrative Assistant share the work of interviewing applicants and processing paperwork for constituents. The Administrative Assistant also handles bookkeeping and other financial and administrative duties for the Township.

4. COMPARISON OF ZION AND BENTON TOWNSHIPS’ PROPERTY ASSESSMENTS

In this section, we present and discuss measures of cost and assessment quality to better compare Zion and Benton Townships in terms of providing their legally mandated property assessment services. Based on FY 2016 budget figures, the TA budget for Benton is smaller than Zion’s but makes up a larger proportion of the overall township budget. Despite having more parcels to evaluate, there are fewer full time employees in Benton’s TA office. The cost per parcel is significantly lower in Benton than it is in Zion. While the cost per parcel for the county overall is \$32,²⁸ the cost per parcel in Zion and Benton Townships are \$26.79 and \$18.75 respectively (Table 3.4). Both are below the County’s average.

	Zion Township	Benton Township
Assessor Office Budget	\$223,282	\$180,723
EAV	\$227 MM	\$254 MM
Assessor Office FTE	3	2
Total Parcels (Exempt)	8,335 (504)	9,637 (1,806)
Parcel per FTE	2,778	4,819
Assessed Parcels per FTE	2,610	3,873
Cost per Parcel	\$26.79	\$18.75
Cost per Assessed Parcel	\$28.51	\$23.33
Assessment Accuracy (Median Sales Ratio)	0.81	0.85
Horizontal Dispersion (Coefficient of Dispersion)	29%	20%
Vertical Dispersion (Price-Related Differential)	1.12	1.07

Table 3.4 - Comparison of Benton and Zion Township Assessors

It is important to understand the quality of assessments provided in both township offices in order to understand what a combined assessor’s office would look like and the quality of services provided. In order to do this, we have obtained sales ratio information from the Lake County Assessor’s website and calculated, for each of several townships, three common measures of quality, assessment, and fairness: Sales Ratio, Coefficient of Dispersion, and

²⁸ http://councilmanmandel.blogspot.com/2015_04_01_archive.html, accessed October 24, 2016

Price-Related Differentials.²⁹ Our evaluation shows that there is a wide range of quality among TA offices in Lake County. We examine only single-family residential properties.

Table 3.5 depicts the total number of properties used within the Sales Ratio study, and the average Net Consideration, or sale price, for properties sold. It is clear that the average assessed value of property within each of these Lake County townships is very different; Waukegan and Zion have lower average property values than Benton, and all three have much lower average property values than that of Libertyville and Warren Townships.

2015	Warren	Benton	Zion	Libertyville	Waukegan
Total Properties Sold	395	145	178	646	403
Average Net Consideration	\$299,137	\$145,391	\$115,080	\$364,528	\$116,704

Table 3.5 - Total Number of Properties Sold in 2015 and Average Net Consideration Among Townships

A. SALES RATIO: MEASURE OF ACCURACY

We have conducted a sales ratio study comparing the ratio of officially assessed values to the actual sales prices of the properties, using the Property Identification Number (PIN) for each property sold in 2015. Looking at these ratios helps understand how accurate the assessments are, and thus, how accurately individuals within each township are being taxed based on their property values.

$$\text{Sales Ratio} = \frac{\text{predicted sales price } (y_{\text{hat}})}{\text{actual sales price } (y_{\text{actual}})}$$

Equation 3.1 – Sales Ratio

If the sales ratio is greater than a value of one, then the property has been “over-assessed,” or valued greater than for what it is sold. Conversely, if the sales ratio is less than one, the property has been “under-assessed,” and the property is worth more than the assessment value. When a property is over-assessed, the owner will end up paying higher taxes than that of a property that is under-assessed, or assessed exactly at market value.

Table 3.6 is a comparative chart of the sales ratios for Benton, Zion, Warren, Libertyville and Waukegan Townships. Warren, Libertyville and Waukegan are included so as to provide an understanding of the quality of assessments provided in neighboring townships. The mean sales ratio describes the average sales ratio of all properties that sold within each township in

²⁹ Note that we had only one year of sales data (2015) for this analysis; a more thorough analysis would include three years of sales information; reference IAAO “Standards on Ratio Studies”.

2015. It is important to note that there may be biases regarding the properties that actually sold during this year. As we do not know how many properties (or which) were on the market during this year, we cannot determine whether or not the assessment value is a factor in determining whether or not a property is more (or less) likely to be sold.³⁰ The mean sales ratio will be sensitive to outliers, as is apparent in Table 3.6.

Township within Lake County	Zion		Benton		Warren		Libertyville		Waukegan	
	All	Adjusted	All	Adjusted	All	Adjusted	All	Adjusted	All	Adjusted
Mean Sales Ratio	0.95	0.93	0.98	0.93	0.85	0.85	1.04	1	0.93	0.88
Median Sales Ratio	0.81	0.81	0.85	0.85	0.86	0.85	0.99	0.98	0.76	0.76
Value-Weighted Mean Sales Ratio	0.83	0.83	0.88	0.88	0.78	0.79	0.85	0.85	0.77	0.77
Coefficient of Dispersion	34%	29%	27%	20%	10%	9%	18%	16%	40%	32%
Price-Related Differential	1.15	1.12	1.11	1.07	1.1	1.08	1.22	1.17	1.21	1.14

Table 3.6 - Sales Ratio Comparisons, Selected Lake County Townships, 2015³¹

The median sales ratio, comparatively, will be less sensitive to outliers (Table 3.6). According to the International Association of Assessing Officers (IAAO) guidelines, the range for the median sales ratio should be between 0.9 and 1.1. Note that only Libertyville falls within this range. Zion and Benton, while below IAAO’s recommended range, have similar median sales ratios (Figure 3.4).

The sales-weighted mean sales ratio gives more weight to higher priced properties.

$$\text{Sales Weighted Mean Sales Ratio} = \frac{\sum_{i=1}^N \text{predicted sales price}}{\sum_{i=1}^N \text{actual sales price}}$$

Equation 3.2 - Sales Weighted Mean Sales Ratio

³⁰ It is possible that there were many other properties on the market that were assessed at higher rates, and thus were not sold because the asking prices were too high.

³¹ “Adjusted” denotes a calculation done with a sample that has been adjusted for outliers.

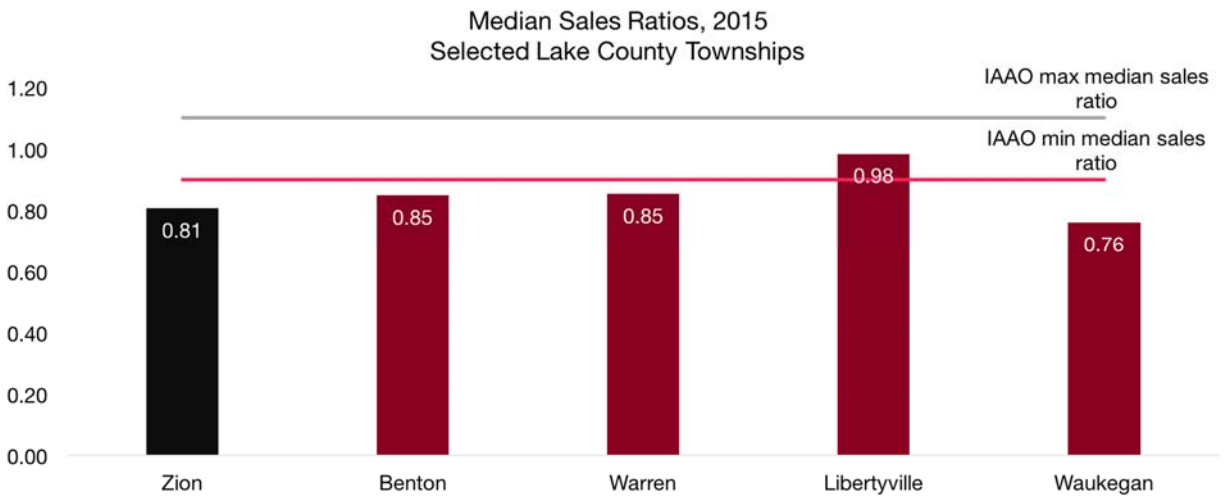


Figure 3.4 - Median Sales Ratios, Selected Lake County Townships, 2015

B. COEFFICIENT OF DISPERSION: MEASURE OF HORIZONTAL DISPERSION

The coefficient of dispersion (COD) is a point estimate that aims to measure the horizontal dispersion, or to quantify dispersion around the median sales ratio.

$$\text{Coefficient of Dispersion} = \frac{\left[\frac{\sum_{i=1}^N \text{abs}(\text{ratio}_i - \text{median ratio})}{N} \right]}{\text{median ratio}}$$

Equation 3.3 – Coefficient of Dispersion

The higher the COD, the greater levels of dispersion the exist with a sample, the lower the COD, the less dispersion. The IAAO standard for COD is between 5% and 15% for single-family homes and condominiums. Only Warren Township is within this standard. It is important to note that Zion and Benton appear to differ significantly in terms of their COD (Figure 3.5).

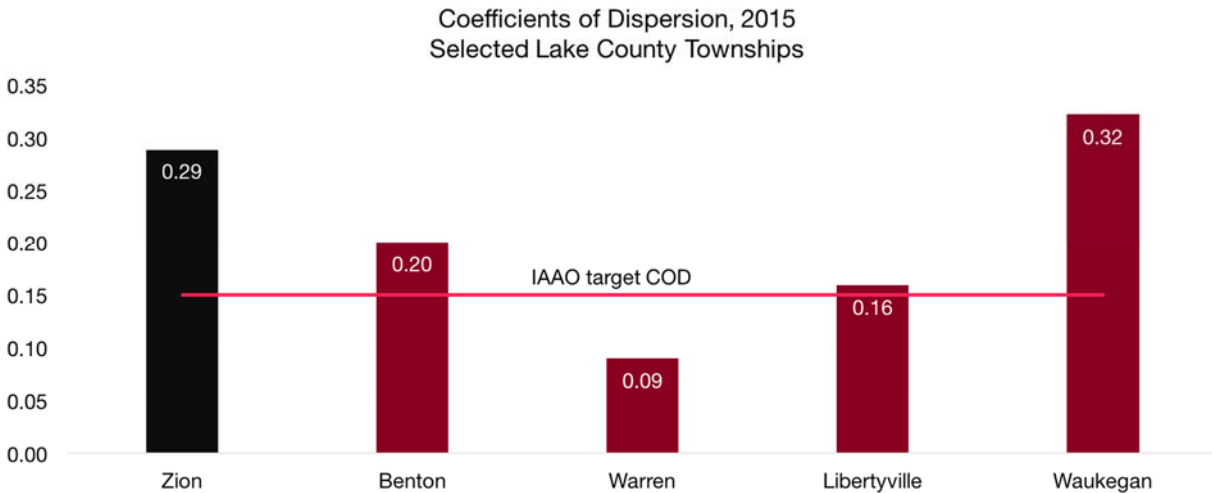


Figure 3.5 - COD, Selected Lake County Townships, 2015

C. PRICE-RELATED DIFFERENTIAL: MEASURE OF VERTICAL DISPERSION

The price-related differential (PRD) measures the vertical dispersion, and it measures whether assessments are progressive or regressive in nature. It is, more specifically, the ratio of mean sales ratio to the sales-weighted mean sales ratio.

$$\text{Price - Related Differential} = \frac{\text{mean sales ratio}}{\frac{\sum_{i=1}^N \text{predicted sales price}}{\sum_{i=1}^N \text{actual sales price}}}$$

Equation 3.4 – Price-Related Differential

When the PRD is less than one, the assessment will be progressive. When the PRD is greater than one, assessments will tend towards being regressive. Studies have shown that lower-value properties are more likely to be regressively over-assessed and higher-valued houses are more likely to be progressive, or under-assessed.³² IAAO guidelines state that the PRD should be between 0.98 and 1.03. All of the townships included are above this range, and Zion and Benton, while diverging slightly, do not appear to have dramatically different PRDs (Figure 3.6).

³²<https://www.lincolnst.edu/publications/articles/assessment-regressivity>

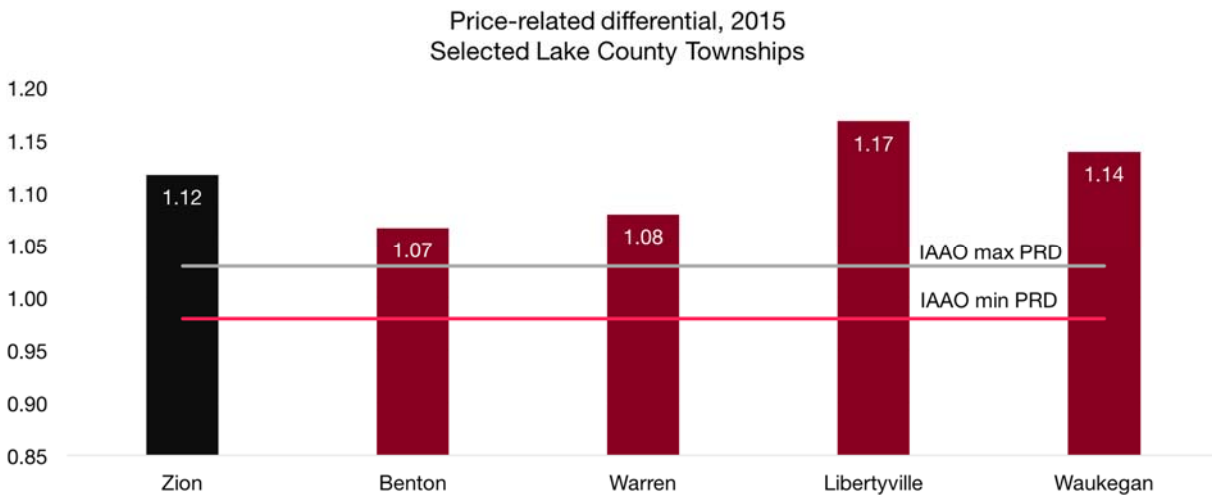


Figure 3.6 - PRD for Selected Lake County Townships, 2015

Overall, Benton Township appears to have a slightly better quality of assessment. However, because the sample sizes are small for both Zion and Benton,³³ it is difficult to make this claim with confidence. Similarly, this is not to suggest that Zion does a poor job of assessing property, but rather to look at how the two assessment offices differ from one another. Benton has far higher median property value, and Zion has more low-value properties. This will inevitably factor into the apparent quality of assessments, as it is harder to assess low-value properties, and should not be overlooked. That being said, both Zion and Benton have regressive assessments of the properties sold within 2015.

The takeaway here is that the quality of assessment is not dramatically different between these two townships. As a result, consolidating Zion and Benton Townships will not dramatically affect the assessment of the properties in either township. However, there is likely to be some effect on the overall quality of assessments as measured by median sales ratios, CODs, and/or PRDs.

5. PROPERTY TAX IMPLICATIONS

One of the most difficult tasks within a horizontal consolidation is reconciling the new property tax rate paid by constituents. Under a consolidation of Zion and Benton Townships, this task has serious implications for the ease with which this scenario may or may not be pursued. Current legislation may allow a newly consolidated government to assume a taxing limit equal to the sum of what those two governments previously levied as a means of reconciliation.³⁴ As a result, we have done analysis on what a new tax rate might look like. A

³³ Each Township had less than 200 properties sold within 2015

³⁴ 35 ILCS 200 Sec. 18-215

summary of both townships' current tax rates and dollar amount of tax levy is summarized within Table 3.7.

ZION TOWNSHIP			BENTON TOWNSHIP		
Total EAV		\$227,123,714	Total EAV		\$253,555,853
Fund	Tax Rate	Extension	Fund	Tax Rate	Extension
Corporate	0.25%	\$567,809	Corporate	0.17%	\$428,884
General Assistance	0.10%	\$227,123	General Assistance	0.01%	\$34,290
IMRF	0.02%	\$39,001	IMRF	0.003%	\$7,954
Social Security	0.02%	\$37,000	Social Security	0.005%	\$11,927

Table 3.7 - Current Tax Rates and Amount Levied, 2015

With these status quo property tax rates in mind, it is possible to explore a combined township government where the dollar amount collected by the combined township government is simply the sum of what Zion and Benton currently collect. We, first, calculated the total amount of property taxes collected by both townships (\$1,353,992). Second, we used that total dollar amount as a property tax levy on the total EAV in both townships (\$480,679,567). This provided us with our consolidated Zion-Benton tax rate of 0.28%. These findings, along with the financial impact to Benton Township, are outlined within Table 3.8.

Township	State EAV	Basic Property Tax Rate	Property Tax Levy
Benton	\$253,555,853	0.19%	\$483,057
Zion	\$227,123,714	0.38%	\$870,935
		Total Property Tax Levied	\$1,353,992
Combined Rate			
New Township	\$480,679,567	0.28%	\$1,353,992
Benton's Difference			
Benton Taxes	\$253,555,853	0.28%	\$714,224
		Levy Increase	\$231,167
		Percent Change	47.85%

Table 3.8 - Overview of Rate Differentials

Benton Township currently has a property tax rate that is roughly 0.2 percentage points lower than Zion Townships. Thus, it is not surprising that when the two entities are combined the amount of taxes paid by residents of what was formally Benton Township would go up. Conversely, the opposite would be true for residents of Zion Township. It is worth reiterating that this calculation has been done for a combined Zion-Benton Township where there is no decrease in the amount of property tax dollars that are collected. As we discuss, some cost savings would be realized under this consolidation scenario and those cost savings could be

used to offset at least some of the potential increase in taxes paid by the residents of what is currently Benton Township.

6. SAVINGS AND EFFICIENCIES UNDER THE MERGER

In a consolidation where Zion and Benton merge into a single, unified Township, savings could be found in several different areas of the current yearly budget. Our goal is to outline as broad a range of potential efficiencies to give policy makers as much flexibility in making decisions as possible. We start by identifying the savings that would naturally accrue from consolidation and then move on to more aggressive savings that the combined township will be able to realize: first, by combining their operations into a single building and then next, by eliminating redundant staff. It is important to note that we are not recommending that these efficiencies be adopted, we are merely pointing out where possible savings could be realized if policy makers feel so inclined.

In making these estimates, we rely on both Townships’ audited financial statements for the Zion fiscal year ending on April 30, 2016 and the Benton fiscal year ending on January 31, 2016. Though we present them as prospective savings, they may also be properly read as possible savings, using both townships’ 2016 audited budget as the baseline. Townships’ assets and overall fiscal health are discussed separately. In all scenarios, we assume that the amount of direct public assistance given out to the community will remain constant (or only rise with tax collections). We further assume that there are no efficiencies to be found among Assessor’s staff; in other words, a combined township will need exactly the same number of staff to perform the Assessor’s functions as they will have when the offices are combined. The only exception is that there will be slightly lower salary costs because one of the Assessors will be replaced by a Deputy Assessor. Table 3.9 summarizes possible efficiencies under this scenario.

Efficiency Source	Yearly Savings	Savings as a % of 2016 budgets
Legally Integrate Townships	\$12,700	0.9%
Combine Physical Office space	\$47,800	3.3%
Eliminate 1 Assessor, replace with Deputy	\$30,000 ³⁵	2.1%
Eliminate 1 Admin Assistant	\$37,000	2.5%
Eliminate 1 Supervisor	\$90,225	6.4%
TOTAL	\$217,725	15.2%

Table 3.9 - Possible Efficiencies Under Zion-Benton Merger

³⁵We assume this would be the approximate difference between an Assessor’s and a Deputy’s salary

A. LEGALLY INTEGRATE TOWNSHIPS

In the event that the townships decide to merge, but decline to make any substantial changes to their day-to-day operations, potential savings will be minimal. We project that there will be savings of only \$12,700 from the 2016 baseline, primarily because the new entity will cease paying one Town Clerk's stipend, will face somewhat lower insurance costs, audit and accounting costs, and lower costs for dues and subscriptions. These savings come primarily from the general fund, though approximately \$1,000 could be saved from general assistance fund expenses and about \$1,900 from the road and bridge fund.

This case will result in the least change from an operations perspective, though the prospective savings are less than one percent of the Townships' combined 2016 budget.

B. COMBINE PHYSICAL OFFICE SPACE

Each township currently has its own freestanding office building. Having a combined township staff spread across separate locations would be very inefficient and likely confusing to residents. In order to maximize the use of space and possible savings, the combined township should locate to one of the current township buildings and lease or sell the other. We assume that the combined township will be located in the current headquarters for Zion Township, as it is newer, there is free space in that building, and it is more centrally located and transit accessible than Benton Township's office. However, the savings amounts are broadly similar no matter which office is chosen. As part of this stage of the analysis, we do not assume extra revenues from the sale or lease of the other building, only that lease revenues would be enough to cover the fixed costs of maintaining the building. Revenues from a lease will increase the savings possible under this policy option.

In addition to the savings outlined in the previous case, by combining offices, the combined township will be able to save money on office expenses and supplies, maintenance services, utilities, janitorial services, computer and telephone services, equipment costs, redundant capital equipment outlays, and additional insurance costs.

C. PERSONNEL ADJUSTMENTS

Including the savings from consolidating operations and combining physical office space, we believe that the largest savings possible are around \$217,000. This would include savings from the elimination of several positions, which may or may not be desirable for the combined township. In general, we believe that one of the two administrative assistants currently working for both townships would be duplicative for a combined township, allowing the township to eliminate that position, and resulting in around \$37,000 in savings. In addition, there are currently two Supervisors (one per township). A combined township would only need one elected supervisor. One of the supervisors could be converted into a Case Manager or Business

Manager for the combined entity, or their position could be eliminated completely, as the new township prefers. There will also be only one elected TA. The combined township may wish to maintain the same number of staff members, but it will likely be in the Township's best interest to pay one of the former TAs at the rate of a deputy assessors.

One further possible area for savings not included in the \$217,000 of savings is eliminating the position of Highway Commissioner. This position oversees the maintenance of only a handful of road miles in Benton Township, and the maintenance for these roads are done by another municipality. In the event of a merger, it might be prudent to delegate responsibility for overseeing this maintenance contract to the Township Supervisor, instead of having a separate Highway Commissioner. This could be an area for further research, but eliminating this position would generate a further \$40,000-50,000 in savings.

Careful consideration should be done before implementing all of these savings. Though there are undoubtedly areas where consolidations can and should be made, careful study will have to be done to determine whether a Supervisor's staff of four can manage all of the General Assistance cases that the Townships currently see, as well as whether the Supervisor's workload can accommodate taking on the Highway Commissioner's duties as well. It may well be that only one or two of these positions should be consolidated in the end.

D. SAVINGS CONCEPTUALIZED

In an effort to provide context regarding the identified efficiency gains, we have calculated what these expenditure reductions would mean for a property owner living in a median-value house in each township. To complete this task, we pulled 2014 Property Tax Rate Sheets for Zion and Benton Townships and identified the modal Tax Code Area (TCA) based on number of parcels within each of the TCAs that make up Zion and Benton Townships. While we recognize that this may not be the most correct method to use when identifying the median taxpayer's property tax burden, it serves as quick way for us to produce a rough estimate as to the dollar amount these changes would translate to for residents of each township. In order to calculate the tax bills displayed in Tables 3.10 and 3.11, we took the most recent Owner Occupied Median Home Value,³⁶ multiplied it by an assumed 1.1 equalization factor (both Benton and Zion have had equalization factors that hover around 1.1),³⁷ and then multiplied that number by one-third to get the taxable value. The taxable value was multiplied by the rates listed in Tables 3.10 and 3.11 to calculate the taxes paid. Our calculations showed that consolidating the two townships and incorporating the \$217,725 in savings identified above yielded about a \$75 decrease in the property tax bill of the median household in Zion and roughly a \$33 *increase* for that of Benton (Tables 2.16 & 2.17).

³⁶ We did not have access to data on Median Home Values, so we utilized data from the U.S. Census Bureau via the 2014 American Community Survey

³⁷ County Clerk of Lake County and conversations with Zion Township/City of Zion officials

Zion TWP Taxing District - TCA 003	Rate	Taxes Paid
College of Lake County #532	0.31%	\$149
County of Lake	0.68%	\$332
Forest Preserve	0.21%	\$102
Zion Benton High School Dist. #126	5.09%	\$2,474
City of Zion	2.81%	\$1,367
Township of Zion	0.39%	\$190
Township of Zion-Benton	0.24%	\$115
North Shore Water Reclamation Dist.	0.17%	\$82
Zion Elementary School Dist. #6	9.80%	\$4,761
Zion Park District	1.30%	\$630
Zion-Benton Public Library Dist.	0.44%	\$214
Total	21.04%	\$10,224

Table 3.10 - Sample Tax bill for Median Zion Homeowner (Home Value - \$132,500)

Benton TWP Taxing District - TCA 001	Rate	Taxes Paid
College of Lake County #532	0.31%	\$197
County of Lake	0.68%	\$438
Forest Preserve	0.21%	\$135
Road and Bridge-Benton	0.05%	\$33
Township of Benton	0.19%	\$120
Township of Zion-Benton	0.24%	\$153
Winthrop Harbor School Dist. #1	5.39%	\$3,461
Zion-Benton High School Dist. #126	5.09%	\$3,272
North Shore Water Reclamation Dist.	0.17%	\$109
Zion-Benton Public Library Dist.	0.44%	\$283
Village of Winthrop Harbor	1.58%	\$1,015
Total	14.15%	\$9,090

Table 3.11 - Sample Tax Bill for Median Homeowner in Benton Township (Home Value - \$175,200)

It is important to note that during conversations with Zion Township officials, we learned that the median occupied home values provided by the 2014 ACS may be higher than the Township’s own data indicates. In an effort to make our methodology as replicable as possible, we sought to use publicly available information in that other parties attempting to do similar analysis may not have access to the Township Assessor’s Office’s data on median home values. The actual dollar value a resident may save as a result of this scenario will vary based on the value of their home.

7. ASSETS AND LIABILITIES

Zion Township has \$900,000 in capital assets, \$440,000 in debt and about \$777,000 in net cash reserves (cash minus debt), putting them in a healthy fiscal position overall. Zion Township’s capital assets consist principally of the Township’s building, its land value, and a vehicle. Retiring Zion Township’s debt would free up about \$50,000 per year that is currently dedicated to loan repayment (categorized under non-personnel administrative costs in our figures).

Benton Township has \$1.1 million in assets, including \$472,000 in capital assets and \$634,000 in restricted and unrestricted current assets, and no debt. Benton’s net position has increased by \$170,000 over the past two years, indicating a large operating surplus for the Township. If necessary, Benton Township could operate for over a year without any additional revenue.

If these townships were to merge, the new entity would assume all of the debt and assets of the two previous entities. Zion would be contributing a larger value of assets, but it would also bring \$440,000 in debt. Further, 2016 audited financial statements from both townships show that Zion is in a poorer position with regards to its net pension liability as well. At the IMRF’s assumed discount rate of 7.50%, Zion reports a *positive* net pension liability of \$283,390 while Benton reports a *negative* net pension liability of \$109,804. This means that, currently, Zion is behind on their pension contributions and Benton is ahead. This debt could be paid off pre-merger, though it may not necessarily be the best financial decision for the combined township. In total, these considerations around debt are not necessarily deal breakers, but they are confounding variables that must be considered.

8. SERVICE PROVISION

The combined township will provide the same level of GA programming to constituents of both townships. In an interview with the Case Manager of Zion Township, she mentioned that there is room for Zion Township’s GA team to absorb Benton Township’s GA program because Benton’s current GA workload is relatively small. Therefore, we assume staffing and roles of a combined GA team to be the following: The Supervisor will oversee the GA program; the current Case Manager of Zion Township will continue her role of case management for all GA clients, aiding residents with EA cases, and overseeing additional resource appointments to help steer residents who do not qualify for GA or EA assistance to third-party organizations; one full time Administrative Assistant will answer and assist incoming clients, run youth employment programs, and oversee other administrative support tasks.

	Zion Township	Benton Township
Expenditure (2016)	Administration: \$179,461	Administration: \$45,450
	Public Assistance: \$57,700	Public Assistance: \$10,385
Staff	Supervisor, Case Manager, Administrative Assistant (3)	Supervisor, Assistant (1.5)
Workload	49 cases managed monthly	2~12 cases managed monthly (Exact number not available)
	15 visitors/calls daily	N/A

Table 3.12 - Zion & Benton GA Administration Comparison

9. LEGAL BARRIERS

Current Illinois state law allows a county to manipulate township boundaries under two particular statutes of the Township Code. Article 10-5 permits a county to, “alter the boundaries of townships, change township lines, divide, enlarge, consolidate, and create new townships in its county...” (ILCS 60/Article 10-5). Article 10-25 allows a county to, “adopt a plan for altering the boundaries of townships, changing township lines, dividing, enlarging, or consolidating townships, or creating new townships,” (ILCS 60/Article 10-25). Based on a thorough review of the statutory language comprising these two sub-articles, it is not clear which sub-article would apply to a Zion-Benton merger. As a result, we recommend consulting with legal counsel regarding this process.

Under Article 10-5, a newly created township must possess an EAV of at least \$6,000,000 and comprise an area of not less than 36 square miles (Section 10-5(a)). Additionally, a citizen petition of at least three-quarters of voters in the target area is required to initiate county action under the Article 10-5. Because Zion Township is coterminous with a municipality, a citizen petition including two hundred signatures must be collected from the coterminous township before the County Board can put forth a plan for a merge involving the coterminous township to voters (Article 15-5(b)).

Under this Article 10-25, a newly created township must possess an EAV of at least \$10,000,000 and comprise an area of no more than 126 square miles (Article 10-25(a)). The plan to consolidate must be approved via referendum by voters in each affected township. If the plan for merging two existing townships is approved by voters, the county may then order an election to select a new township board (Article 10-10). Aside from the referendum requirement, one major limitation exists under Article 10-25. Subsection 10-25(b) states that “In the alteration of boundaries, a county board may not disturb urban or coterminous townships in existence on October 1, 1978.” Considering Zion Township was in existence at this time, it appears it would be subject to this constraint. As stated previously, it is unclear whether Section 10-5 or 10-25 could be used to support a merger of the kind we have evaluated in this paper; however, it is important to be aware of the potential barriers relating to coterminous townships.

If either of these two statutes are used to merge two townships, such as Zion and Benton, the combined township would be a new governmental unit. It is important to note that a recent bill prohibiting the formation of new governmental units was passed by the Illinois General Assembly in August 2015: however, this law does not apply to township mergers.

IV. SCENARIO 3 – CONSOLIDATION WITH THE CITY OF ZION

Even though Zion Township and the City of Zion share coterminous borders, both governments have different and non-overlapping functions. Currently, there are no departments which perform similar functions to GA and EA, or the Assessor’s Office. Therefore, under a consolidation, care should be taken in considering how these services should fit into the City’s existing structure.

1. GOVERNMENT STRUCTURE

Because there are no comparable services in the City, and the Assessor’s Office is already located in City Hall, there will likely be no dramatic changes to the Assessor’s Office under a Township-City consolidation.

That being said, there are a few factors to consider such as how the department would fit into the City’s structure/organization. The City could either create a new department for the Assessor and his staff, or incorporate the role of the Assessor into the Building Department or the Public Works Department. However, it is important to note that neither of these departments’ goals fully align with that of property assessment.³⁸ While there is some overlap in the functions performed by the Department of Building and the TA --namely both track open and closed building permits--there are many functions that do not overlap. Similarly, the Assessor needs a skillset specific to the duties of the position, making it very unlikely that an individual within either the Buildings or Public Works Departments would be able to manage or oversee the assessment process on top of their current workload. By combining the TA office into an existing department, there is potential for assessment duties to become less prioritized, and therefore not given the attention needed to ensure high-quality assessments. Because TA would no longer be an elected position, the Assessor would report to his/her boss, presumably the Mayor, rather than voters. This could change the incentives of the TA, and reduce the autonomy that currently exists under the Township model. Under this merger we assume that the TA staff and budget would remain the same.

2. PROPERTY TAXES

The property tax reconciliation process is simplified significantly by the fact that no services provided by the Township overlap with those provided by the City. Our initial pass at deriving a consolidated City-Township property tax rate involves inventorying the status quo rates for

³⁸ The mission of the Building Department is to “provide knowledge and service regarding local, state and federal building codes and standards in a manner, which supports our commitment to the safety of our residents and to the integrity of the Department” (<http://www.cityofzion.com/building-department/mission/>), while that of the Public Works department is to provide “for efficient, cooperative participation of six operating divisions: Street Maintenance, Engineering, Water & Sewer, Administration, Public Service and Fleet Operations” (<http://www.cityofzion.com/public-works/>).

each government and analyzing what a combined entity with no changes in the total amount of property taxes collected would levy. Table 4.1 summarizes status quo rates, while Table 4.2 depicts the combined entity with no adjustments to property taxes collected.

ZION TOWNSHIP			CITY OF ZION		
Total EAV	\$227,123,714		Total EAV	\$227,123,714	
Fund	Tax Rate	Extension	Fund	Tax Rate	Extension
			Ambulance Service	0.25%	\$566,900
Corporate	0.25%	\$567,809	Corporate	0.34%	\$761,725
			Fire Protection	0.34%	\$782,579
			Fire Fighter Pension (PTELL)	0.44%	\$1,000,291
IMRF	0.02%	\$39,001	IMRF	0.22%	\$493,283
			Police Pension	0.55%	\$1,249,627
Social Security	0.02%	\$37,000	Social Security	0.18%	\$403,875
			Street & Bridge	0.10%	\$227,123
			Tort judgement & liability insurance	0.42%	\$955,514
General Assistance	0.10%	\$227,123			
TOTALS	0.38%	\$870,935	TOTALS	2.84%	\$6,440,921

Table 4.1 - Status Quo Rates, Zion Township and Zion City, 2015

CONSOLIDATED CITY OF ZION		
Total EAV	\$227,123,714	
Fund	Tax Rate	Extension
Ambulance Service	0.25%	\$566,900.79
Corporate	0.59%	\$1,329,534.53
Fire Protection	0.34%	\$782,579.74
Firefighter Pension (PTELL)	0.44%	\$1,000,291.45
IMRF	0.23%	\$532,284.86
Police Pension	0.55%	\$1,249,627.86
Social Security	0.19%	\$440,876.65
Street & Bridge	0.10%	\$227,123.71
Tort judgement & liability insurance	0.42%	\$955,514.01
General Assistance	0.10%	\$227,123.71
TOTALS	3.22%	\$7,311,857.32

Table 4.2 - Projected Tax Rates under Consolidation with No Efficiency Gain, 2015

This initial *status quo* consolidated tax rate violates both the State of Illinois’ Property Tax Extension Law Limit (PTELL) and the fund rate limits the Illinois Department of Revenue outlines for non-home rule municipalities.

PTELL restricts non-home rule governmental entities from raising their property tax rates in greater increments than the lesser of 5% or the Consumer Price Index (CPI). A percent change from \$6,440,921.91 to \$7,311,857.32 is 13.52%, which is larger than both the 5% and CPI percent increases and poses a prominent risk to this consolidation scenario.

Further, the Illinois Department of Revenue restricts non-home rule municipalities from levying property taxes for their Corporate Funds at 0.43750%. The status quo consolidated tax rate for the Corporate Fund summed to 0.59%, which is, again, above the legal limit.

However, as mentioned earlier, a section of the Illinois State Statutes’ Tax Code may allow consolidated governments to subsume the taxing abilities, and consequently the increased

taxing limits, of the government that they are consolidated with.³⁹ We recommend that legal council is sought regarding this tax rate and levy issue if the Township-City consolidation scenario is pursued.

3. FISCAL SAVINGS UNDER CONSOLIDATION

Different kinds of fiscal savings are possible for Zion Township in a consolidation with the City of Zion than with Benton Township. Many tasks performed by the Township’s Business Manager and Supervisor can be folded into the City’s architecture because the City already has the infrastructure set up to manage administrative functions. However, there is not the option to eliminate an Assessor’s position or a Supervisor, so our menu of savings will appear quite different.

Efficiency Source	Yearly Savings
Integrate administrative functions	\$26,350
Combine physical office space	\$57,380
Eliminate business manager position	\$74,000
TOTAL	\$157,730

Table 4.3 - Possible Efficiencies Under Combined Township-City

A. INTEGRATE ADMINISTRATIVE FUNCTIONS

This option will allow the current Township to take advantage of the scale at which the City government operates in administrative matters. Currently, Zion Township must outsource to another firm or spend long hours on accounting, auditing and other professional services, which the City provides in-house. Though adding responsibility for these tasks to Zion City employees is not free, it will be much more efficient than the current arrangement, saving money. We also assume that some savings will be found in insurance costs by adding Township employees to the City’s policy.

B. COMBINE PHYSICAL OFFICE SPACE

Currently Zion Township is headquartered in a building that is located two blocks from Zion City Hall. Half of the Township staff already work in City Hall, but if the remainder of the staff were to relocate to City Hall as well, it could free up more savings in addition to those outlined above. City Hall has excess office space, and is willing to accommodate three or four

³⁹ 35 ILCS 200 Sec. 18-215

new employees in their facilities. This would also give residents one unified center where they could come to have all of their local government needs addressed.

In this instance, the combined entity would face decreased costs for equipment rental, utilities, maintenance, insurance, office supplies and accessories. The estimated savings do not include the revenues that could be derived from leasing or selling the current Zion Township headquarters. We merely assume that leasing the property would bring in enough revenue to cover the incremental maintenance costs. Selling the property would also free up an additional \$50,000 per year in debt service costs, which are not included in our estimated savings.

C. ELIMINATE THE BUSINESS MANAGER POSITION

Zion Township currently has an open Business Manager position, which it will soon try to fill. This employee would be a kind of office manager, handling many bookkeeping and human resources-type tasks, as well as organizing a marketing campaign in the community to let at-risk residents know about the services that the Township provides. In the event of a consolidation with the City, many of the tasks the Business Manager would typically perform will be unnecessary or provided by the City. There will also be many more opportunities for the consolidated Township to market its services to residents using the City's considerably larger resources, greater visibility, and points of contact with citizens.

D. SAVINGS CONCEPTUALIZED

Again, we would like to benchmark the savings identified above in terms of the median household in Zion. Leveraging the same method used in Scenario 2, the \$157,730 in efficiency gain would roughly translate to a \$27 reduction in median household's tax bill (Table 4.4).

Zion TWP Taxing District - TCA 003	Rate	Taxes Paid
College of Lake County #532	0.31%	\$149
County of Lake	0.68%	\$332
Forest Preserve	0.21%	\$102
Zion Benton High School Dist. #126	5.09%	\$2,474
City of Zion	2.81%	\$1,367
Township of Zion	0.39%	\$190
Consolidated City of Zion	3.15%	\$1,530
North Shore Water Reclamation Dist.	0.17%	\$82
Zion Elementary School Dist. #6	9.80%	\$4,761
Zion Park District	1.30%	\$630
Zion-Benton Public Library Dist.	0.44%	\$214
Total	21.15%	\$10,275

Table 4.4 - Sample Tax Bill for Median Homeowner Under Consolidated Township-City (Home Value - \$132,500)

Numbers and savings presented in Table 3.4 are from FY 2014. Similar to the disclaimer contained in the similar section under Scenario 2, differences in home values, sources of data, and fiscal year of data used may alter the actual dollar savings realized by residents upon implementation of our suggested efficiency gains.

4. SERVICE PROVISION

Currently there is no overlap in services provided by Zion Township and the City of Zion: there is no current department which is related with social service or employment support, and, in discussions with City government staff, it was noted that the capacity does not exist to effectively absorb the Township’s operations into what the City currently provides. Therefore, we concluded that the same Township teams and key staff positions should be maintained under consolidated City government. In order for this to occur, the consolidated City would need to add new departments to house GA and property assessment. We suggest the creation of a “Human Service Department” for GA and other youth employment programs, and a “Property Assessment Department” for property assessment (Table 4.5). For simplicity, we

assumed the director of the Human Services Department and Property Assessment Department would be the current Supervisor and Assessor, respectively, and that the current Case Manager and Deputy Assessors would continue in their roles.

Current Departments of City Gov't	New Departments in Combined Gov't
<ul style="list-style-type: none"> ● Accounts & Finance ● Building Department ● City Clerk ● Economic Development ● Fire and Rescue department ● Police Department ● Public Work Department 	<ul style="list-style-type: none"> ● Human Service Department ● Property Assessment Department

Table 4.5 - Government Departments Under Consolidated Township-City

It is worth noting that in an interview with Township staff, they raised concerns regarding the difference in organization culture and client perception of the City versus the Township. Since providing social services requires sensitive information, it is important to communicate closely and delicately with clients. Thus, some worry that moving the provision of GA to the City may make the services less approachable, as the City may be perceived as less friendly and more bureaucratic than the Township. Further, it is also important to note that the Township and its service provision may lose its autonomy once it is under management of the Mayor.

On the other hand, City staff pointed out that constituents would be able to enjoy a one-stop-shop for their local government services in City Hall under consolidated City government. This can yield some synergies, such as providing LIHEAP support directly to clients who visit City Hall to pay gas or electricity bills. Neither of these points should be considered deal-makers or deal-breakers, but they are important variables to consider and work around prior to undertaking a Township-City consolidation.

5. LEGAL BARRIERS

Consolidation of Zion Township into the City of Zion may seem like an intuitive choice, especially when taking into consideration the coterminous nature of both governments. However, there currently exists no statutory mechanism that would allow this type of consolidation to occur. The only two coterminous township-municipalities to have consolidated in Illinois, Evanston and Belleville, achieved consolidation via specific statutes passed by the Illinois General Assembly. Article 27 of the Township Code allows the consolidation of a coterminous township-municipality in counties with greater than three

million inhabitants, applying only to Evanston Township.⁴⁰ Article 28 of in the Township Code restricts consolidation of coterminous townships to those located St. Clair County and that include at least 23 square miles, applying only to Belleville Township.⁴¹ Thus, neither statute can be used as a basis for Zion’s consolidation.

In both of these examples, township governance was completely discontinued. All of the duties previously provided by the townships were absorbed by the coterminous municipality, including the duties and responsibilities identified in the Township Code, the Illinois Public Aid Code, the Property Tax Code, and the Illinois Highway Code, as applicable. After consolidation, municipalities would be given the ability to make inter-governmental agreements and contract services to the county and state as well.

There are two main options for Zion Township’s consolidation into the City of Zion. First, Zion could work directly with Illinois State Representatives to craft a similarly worded statute that would apply only to Zion Township and the City of Zion. Second, Zion could work to amend either existing statute so that it can be used to allow a consolidation between Zion Township and City. The second alternative might require additional coordination and effort, especially among other coterminous townships in Illinois, depending on the desired level of applicability.

V. SCENARIO 4 – DISSOLUTION

Under the dissolution of townships in Lake County, all of the current duties performed by townships would be shifted to the county level, standardizing all services legally required by a township (GA and TA) across the county as a whole. This may create more government efficiency. However, there is also the possibility that a township dissolution will decrease the quality of services being provided, as they will be less tailored to the smaller populations that were previously served by townships. Below are the legal barriers that would need to be overcome in order for a dissolution of all townships to become reality.

1. LEGAL BARRIERS

Current Illinois State Law allows for the dissolution of township governance within a particular county; however, it does not provide a mechanism for the dissolution a single township. In other words, it is possible to dissolve all townships in a county, but not any one individual township on its own.

⁴⁰ Evanston Township is the only coterminous township in Cook County and Cook County is the only county in Illinois that has a population greater than three million people.

⁴¹ Belleville Township is the only coterminous township in St. Clair County that is larger than 23 square miles.

In order to dissolve township governance in a county, a petition of at least 10% of registered voters in each township must be presented to the county board; upon receiving such a petition, a referendum asking whether township governance should be continued will be submitted to voters during the next general election (Section 25-5). For the referendum to pass, at least three-quarters of voters in each township, which together comprise a majority of votes in the county, must have voted for the referendum (Section 25-10). If the voters pass the referendum, township organization in the county will cease, and the county will transition to a commission form of government. Township operations will cease as soon as a new county board is elected, which should take place during the next general election during an even-numbered year. Three commissioners will initially be chosen by voters; one commissioner will serve a term of two years, the second will serve a term of four years, and the third will serve a term of six years. One commissioner shall be elected at each subsequent election thereafter (Section 25-15).

In the event that township governance is eliminated, the county will inherit all roles and duties applicable to counties without townships -- “the same as if township organization had never been adopted in it” (Section 25-10). There are several reasons why this approach – total dissolution of townships – is problematic. First, the signature and vote thresholds required for the citizen-driven petition and referendum are high, and would require a significant amount of coordination among all townships within the county. Second, the requirement that new county commissioners be elected to replace former county officials would also present an obstacle to township dissolution. Current county officials are incentivized to maintain power; allowing the dissolution of township governance would likely mean they would lose their positions. Practically, it appears unlikely that such a scenario would ever be actualized.

2. TOWNSHIP ASSESSOR – CENTRALIZING PROPERTY ASSESSMENT

Former Lake County Supervisor, Steven Mandel, conducted a study in 2014⁴² to understand what the property assessment process would look like if Lake County consolidated its township assessors up into the County government. If townships were eliminated altogether in Lake County, and there was one centralized property assessment office for the County, Mandel’s analysis estimated a \$4.4 million in County-wide savings.⁴³ Presumably, this would result in lower tax rates for residents of Lake County. Mandel’s estimates mean that while the current average cost per parcel across all of the Lake County Townships is \$32, under the dissolution of property assessment at the township level this would fall to \$22.27. After reviewing Mandel’s study, we were unable to find detailed evidence suggesting that such a large efficiency gain is feasible. Further investigation would entail gaining a better understanding of how current township assessment offices perform their duties and whether there are synergies to be gained by centralizing property assessment service provision. We

⁴² <http://www.stevemandel.com/County/Assessor%20Progress%20Report%20Final%20Draft%20Update.pdf>

⁴³ The consolidated property assessment budget was estimated at slightly under \$6 million.

recommend that further investigation of this consolidation option considers both the efficiency and quality of assessment services, similar to the analysis of the Zion-Benton merger above.

IV. CONCLUSION

Where does Zion Township go from here?

Clearly, there exist numerous costs, benefits, legal barriers, fiscal implications, and other important considerations related to the issue of township consolidation. Our goal for this project is to present these trade-offs in an objective, unbiased manner so that policymakers and constituents can approach township consolidation with an accurate view of the benefits and limitations under different scenarios. We also aim to provide a structure that other analysts can use to evaluate other structural changes to governments in the future. Table 5.1 summarizes the major benefits and barriers under each scenario evaluated in this study.

	Scenario 1 Status Quo	Scenario 2 Horizontal Merger	Scenario 3 Vertical Consolidation	Scenario 4 Dissolution
Legal Barriers	None	High - referenda, approval by County, or legislation	Moderate - legislation, agreement of Zion only	Severe - petitions, referenda
Government Structure	No change	Eliminate 1 Assessor and 1 Supervisor, other optional changes	Bring Supervisor and Assessor's offices under City structure, make 2 new City departments	All townships in Lake County dissolve, County Government structure changes
Physical Infrastructure	No change	Consolidated into Zion HQ and Zion City Hall OR Zion HQ and Benton HQ	Consolidated into Zion City Hall	N/A
Taxes	No change	Up in Benton, Down in Zion	Down in Zion	N/A
Savings	None	\$217,000 yearly or 15% of 2016 budgets	\$158,000 yearly or 17% of 2016 budget	N/A

Table 5.1: Summary of Findings

Considering the emphasis placed on reducing taxes, we have summarized the annual cost savings under the horizontal merger (Zion-Benton) as well as the vertical consolidation (Township-City) scenarios in two ways below (Table 5.2).

	Horizontal Merger	Vertical Consolidation
Total Savings	\$217,725	\$157,730
Savings Per-Capita	\$5.02	\$6.49

Table 5.2: Comparison of Total Savings vs. Savings Per-Capita for Horizontal Merger and Vertical Consolidation

It is important to note that while the Zion-Benton Township merger yields a greater cost savings overall, the Township-City consolidation would have a slightly larger impact per-capita. This is because savings under the vertical consolidation affect only current Zion residents whereas the benefits accrued as part of the horizontal merger will be spread amongst current residents of both Zion and Benton Townships. Under a vertical consolidation, the median household property tax would decrease by roughly \$27; under a horizontal merger with Benton, the median household property tax in Zion would decrease roughly by \$75 dollars, and increase by roughly \$33 for the equivalent individual in Benton Township.

While we have laid a solid foundation for what could be expected under each scenario in terms of the legal barriers, government structural changes, effects on service provisions, tax implications, and potential fiscal impacts and efficiencies, it would be impossible for us to predict the full political scope, long term effects, externalities (positive or negative), or--perhaps most importantly--perceptions and opinions of the constituents these scenarios directly affect. Although the decision will ultimately be made by the governments involved, it is essential to take into account the perceptions of the individuals these governments aim to serve. It may be beneficial to conduct a formal or informal survey or study in order to gauge public opinion of both Zion and Benton citizens. Gaining this data will not only be valuable when considering whether or which consolidation is best, but it can also help improve the status quo. Having these data points will also shed light onto how feasible each scenario truly would be, as each do legally require constituent support.

Similarly, before undertaking any scenario government officials may want to consider how to ensure the quality of “township” services provided under a city-township consolidation, or will there be a legal mechanism in place to ensure that the Health and Human Services department receives the funding it requires without being an autonomous entity? It is essential that Zion Township Officials carefully and thoroughly think through these and other similar variables before putting a plan into motion.

It will also be important to clearly delineate and define the goals officials wish to achieve through any type of consolidation efforts. This is essential in order to gauge successes, understand how improvements can be made with time, and can also serve as a mechanism to show other local government municipalities how well the consolidation efforts panned out, what the pitfalls or challenges were, and how to combat them. Not only will this help to



encourage and lead the way for other townships to responsibly consider what is most efficient, but it will increase transparency and dialogue between the government and its constituents.

There is clearly no right or wrong decision to be made, and it is likely that the Zion Community members and officials will need to carefully consider and discuss the various alternatives presented here. We recommend that legal counsel examine the statutory requirements for each scenario in order to get a more in-depth understanding of feasibility, as well as to highlight the requirements for a prospective state statute enabling a change in Zion Township's status. Additionally, we recommend seeking counsel from a Certified Public Accountant (CPA), as their advice will enable careful review of the assets and finances of the government entities involved.

Overall, the monetary benefits of a consolidation or merger to taxpayers in Zion are relatively small because of the relative size of the Township with respect to other public service providers. That being said, there are other prospective benefits to any type of consolidation or merger. In Illinois, there are more distinct units of government than in any other state. Thus, consolidation or merger is not only a step towards increased efficiency and transparency, but it is also a signal to other government units regarding the benefits of centralizing public services and eliminating inefficiencies. It is impossible to quantify the benefits to taxpayers of having a simpler or more easily understood system of governments.

We hope that our approach can be used as a guide for other coterminous and non-coterminous townships in Illinois that are interested in understanding the potential benefits of consolidation.