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CONSOLIDATING WHEELING AND OHIO COUNTY:

A review of city-county consolidation (“Unigov”) experiences regarding
central city health and regional economic growth

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prepared for

HOPEFUL CITY

Summary: Comparison of seven city-county consolidations with 15 unconsolidated “peer communities” shows that by 2000 the “Unigovs” a) captured four times more of their region’s population growth, b) maintained near-parity in income with their regional neighbors, c) had significantly higher credit ratings (Aa2) for their municipal bonds, d) saw their regional job supply expand slightly more, and e) saw real personal income per capita grow slightly faster. These findings are more significant because most of the unconsolidated peer regions have strong, annexation-oriented, healthy core cities and are experiencing strong economic growth.

Introduction

This memo will review data regarding a) the clear and positive impact on the economic and fiscal health of a central city through city-county consolidation, and b) what is arguably the positive impact of city-county consolidation on overall regional economic development – both of which are key issues for Wheeling, Ohio County, and the Wheeling WV-OH region.

Caution! The methodology used is relatively crude and simple, while real life is complex. None of the other regions analyzed has faced such a disastrous decline in its economic base as the Wheeling area has experienced in the past fifty years. City-county consolidation is not an instant panacea guaranteed to produce economic success. But these regions have also faced economic challenges, and having a strong, unified, urban community at the region’s core (“Unigov”) with a large tax base and excellent credit ratings has helped them surmount crises and continue to progress.

Part I: Unigovs and their Peers

The study analyzes census data over the past fifty years for the seven major city-county consolidations that occurred prior to 2000. (Louisville-Jefferson County took effect on January 1, 2003.) The seven are matched up with 15 unconsolidated peer communities that had similar characteristics during the Unigovs' pre-consolidation period (appended Table 1). I will use Indianapolis-Marion County to illustrate the methodology. The criteria are

- a) Comparable regional population size in the 1950 census (plus or minus 25 percent):¹ the nine-county Indianapolis area's population was 727,000 in 1950. I initially sorted for all metro areas between 908,000 and 545,000 residents.
- b) Comparable regional median family income in 1950 (plus or minus 15 percent):² the Indianapolis area's median family income was \$3,636, yielding a comparable range between \$4,184 and \$3,091. Those regions that met the population standard but fell outside the income range were eliminated.
- c) Comparable regional racial mix in 1950 (plus or minus 50 percent):³ In 1950, the Indianapolis area's "non-white" population was 12 percent. Regions meeting the first two criteria were eliminated if their racial mix fell outside a range of 18 percent to 6 percent "non-white;" and
- d) Comparable regional economic structure as measured by the percentage of manufacturing jobs in the overall labor force in 1969 (plus or minus 50 percent):⁴ In 1969, 28 percent of the Indianapolis area's labor force worked in manufacturing. Thus, regions that met the first three criteria but fell outside a range of 14 percent to 42 percent factory jobs were dropped.

Though these criteria are somewhat arbitrary, based on similar past studies, they do yield reasonably comparable "peer" regions. Initial population size is an obvious selection standard though, in the Age of

¹ using metropolitan areas as defined geographically for Census 2000

² using metropolitan areas as defined geographically for the 1950 census

³ also using metropolitan areas as defined geographically for the 1950 census

⁴ The Bureau of Economic Analysis begins its on-line Regional Economic Information System (REIS) in 1969, using metropolitan areas as defined for Census 2000.

Sprawl, to make meaningful, multi-decade comparisons of population growth, we must adopt a common geographical definition of a metro area through the decades.

The other three criteria tend to identify peers that occupy a similar section of the country. At mid-century, in particular, the South (where six of the seven now-consolidated communities are located) was a low-income, high-minority region.

Based on these criteria, the Unigovs (with date of consolidation) and their regional peers are:

Indianapolis-Marion County, IN (1970): Louisville, KY-IN; and Columbus and Dayton-Springfield, OH;

Nashville-Davidson County, TN (1964): Louisville, KY-IN; Greenville-Spartanburg-Anderson, SC; and Norfolk-Virginia Beach-Newport News, VA-NC;

Jacksonville-Duval County, FL (1968): Norfolk-Virginia Beach-Newport News, VA-NC;

Lexington-Fayette County, KY (1973): Atlantic City, NJ;

Augusta-Richmond County, GA-SC (1996): Jackson, MS; Montgomery, AL; Charleston and Columbia, SC; and Savannah and Macon, GA;

Columbus-Muskogee County, GA (1971): Savannah and Macon, GA; Charleston and Columbia, SC; Atlantic City, NJ; Jackson, MS; and Montgomery, AL; and

Athens-Clarke County, GA (1991): Auburn, AL; Hattiesburg, MS; and Albany, GA.

Of the peer communities, the only anomaly is Atlantic City, NJ. Furthermore, in my initial study these criteria also yielded several peer regions (Dallas, Fort Worth, Houston, Orlando, Tampa-St. Petersburg, and Miami) that are located in East Texas and Central and South Florida –along with Las Vegas and Phoenix, the most explosively growing regions in the country. None of our consolidated communities are true Sunbelt boomers (not even Jacksonville) so I eliminated these from the comparisons.

PART II: “ELASTIC CITIES”

Summary Table 2 summarizes the degree to which the seven consolidated cities and their peers expanded their boundaries through

annexation from 1950 to 2000.⁵ (City-county consolidation may be seen as a form of municipal super-annexation.) It shows that, as a group, the seven Unigovs increased their land area 1,640 percent (that is, seventeen-fold between 1950 and 2000) primarily through the consolidation process (although each had more conventionally annexed some land prior to consolidation). This compares with their peers' average growth of 221 percent (more than tripled) in land area through conventional annexation over the same five decades.

Table 2
Central City Territorial Expansion (1950-2000)

Unigov average	1,640%
Peer average	221%
City of Wheeling	34%

It is important to recognize, however, that most of the peer cities are very annexation-minded, “elastic” cities. As the full Table 2 shows (appended), Columbus OH (210 sq. mi.), Montgomery (155 sq. mi.), Columbia (125 sq. mi.), and Jackson (105 sq. mi.) are quite large – as large or larger than Ohio County. Through annexation, they (and others in the peer group) dominate their regions without city-county consolidation.

Most peers' elasticity stands in sharp contrast with the City of Wheeling, which has grown from just 10 square miles to 14 square miles, or 34 percent, in fifty years. In fact, only boundary-frozen Atlantic City has been less elastic than Wheeling, and only Greenville, Norfolk, and pre-consolidation Louisville failed to at least double their city limits.

Had West Virginia's laws allowed Wheeling to annex most adjacent new development (as occurs in most of the peers' states), city-county consolidation would probably be a moot issue today in Ohio County.

Capture or Contribute?

Table 3 summarizes metropolitan and city population growth. Again, it is worth emphasizing that all others have been growing regions; only the Wheeling area lost population.⁶ In fact, as metropolitan regions, both Unigov regions and peer regions had the same rate of population growth

⁵ Any summary tables track the full tables appended.

⁶ Of 331 metro areas, only seven lost population over the fifty years: Jersey City, NJ; St. Joseph, MO; Altoona, Scranton-Wilkes Barre and Johnstown, PA; Charleston, WV; and Wheeling, WV-OH.

(139 percent). However, the Unigov cities’ population grew 170 percent, while peer cities’ population grew only 4 percent.

**Table 3
Metro & City Population Growth (1950-2000)**

	<u>metro</u>	<u>city</u>	<u>capture/contribute</u>
Unigov average	139%	170%	57%
Peer average	139%	13%	4%
Wheeling	-22%	-47%	<-164%>

Like Wheeling, several relatively “inelastic” cities also lost population: Greenville (-4%), Louisville (-31%), Dayton (-32%), and Atlantic City (-34%).

City-county consolidation was so successful that the Unigov group “captured” 57 percent of regional population growth, while the peer cities captured only 4 percent. On the other hand, in losing over 27,000 city residents while its region lost “only” 43,000, the City of Wheeling more than accounted for the region’s total population loss. Wheeling “contributed” - 164 percent of the regional population loss.

City-Region Income Gaps

What “elastic” cities gain and what “inelastic” cities lose are primarily middle-class families. The average income of city residents compared with the average income of suburban residents is probably the most significant single indicator of a city’s relative economic and fiscal health within its region. Table 4 summarizes city median family income as a percentage of regional median family income in 2000.⁷

**Table 4
City Median Family Income as Pct of Metro Median Family Income in 2000**

Unigov average	94%
Peer average	79%
City of Wheeling	99%

The Unigovs average covers a fairly narrow range – from Augusta (85%) to Lexington (107%). The peer average covers a much wider span – from Atlantic City (62%) to Auburn (119%) with eight cities (Jackson, Columbia, Savannah, Norfolk, Louisville, Macon, Dayton, and Atlantic

⁷ Actually, in each decennial census, income and poverty data are collected from the previous year. Thus, for example, economic data for Census 2000 actually cover 1999.

City) falling below the 80 percent mark, indicating a substantial degree of suburbanization of their regions' middle-class families.

The city of Wheeling appears healthy at 99 percent. However, neighboring Marshall County, WV and Belmont County, OH are significantly more depressed; the city's median family income is 94 percent of Ohio County's median family income. The city's per capita income is at parity with the region's per capita income, reflecting the continued residence in Wheeling of some much higher income persons. However, with a concentration of lower-income, single-person households within the city, Wheeling's median household income is only about 70 percent of suburban Ohio County's median household income.

City Credit Ratings

Table 5 summarizes municipal bond ratings as assigned by Moody's Investors Service. Bond ratings range from Aaa ("blue chip") to Ba and below ("junk bond" status) and reflect both the strength of the local economy and the local government's prudent financial management. The higher the bond rating, the less it costs a local government to borrow money on the bond market in terms of the level of interest payments.

Table 5
City Bond Ratings (Moody's Investors Service) in 2002

Unigov average	Aa2
Peer average	A1+
City of Wheeling	Baa1

Bond ratings show the clearest edge that Unigovs have over their peers. The Unigovs *average* Aa2 (just two steps below the maximum) with Indianapolis carrying a Aaa rating. (Peer Columbus is also rated Aaa.). Albany, GA (in a dirt-poor region) and Atlantic City have the lowest peer bond rating (A3) – the latter despite an avalanche of casino revenues (many of which go to a state authority rather than municipal government). Wheeling's rating is Baa1 (two steps above Miami), while, reflecting its broader economic base, Ohio County is rated A1 (three steps above the city). Consolidating Wheeling and Ohio County would probably result in an A1 rating, unless the consolidated government inherited some past debt mismanagement problems by the city.

PART III: REGIONAL ECONOMIC GROWTH

Tables 6a, 6b, and 6c summarize changes in regional job supply for manufacturing, non-manufacturing, and total jobs. They cover two periods

(1969-99) and (1989-99). The first period roughly coincides with the consolidations that occurred in the 1960s and early 1970s (Nashville, Jacksonville, Indianapolis, Columbus, and Lexington); only these Unigovs are summarized for that 30-year period. The decade of the 1990s adds Athens and Augusta.

Overall manufacturing employment declined 6 percent in the United States (from 20,546,000 factory jobs in 1969 to 19,217,800 in 1999). Manufacturing jobs were lost particularly in consumer durable industries (cars, refrigerators, televisions, etc.) through, first, greater productivity and, second, off-shore competition. On the other hand, manufacture of consumer non-durables (food products, newspapers, etc.) is heavily influenced by regional population changes. Growth of demand for consumer non-durables helped to offset falling production of consumer durables. Within the USA, of course, there was a shift in manufacturing employment from Rust Belt to Sunbelt, particularly as producing non-durables for the regional market tracked population shifts.

Table 6a tracks changes in all manufacturing jobs. The five Unigov regions substantially outperformed their peers in both retaining existing manufacturing jobs and creating new ones. Over the thirty years, among the Unigov regions only Indianapolis lost factory jobs (-22%), while losers among their peer regions were Savannah (-1%), Columbus OH (-18%), Louisville (-29%), Dayton (-36%), and Atlantic City (-53%).

Table 6a
Trends in Manufacturing Jobs

	<u>1969-99</u>	<u>1989-99</u>
Unigov average	27%	3%
Peer average	-11%	-8%
(Wheeling WV-OH	-60%	-15%)

Table 6b similarly tracks changes in non-manufacturing jobs. Over the thirty year period the five Unigov regions outpaced their peer regions in non-manufacturing job growth (117% vs. 110%). However, in the 1990s, the seven Unigovs (including Augusta-Richmond and Athens-Clarke) had a more impressive edge (29% to 22%).

Table 6b
Trends in Non-Manufacturing Jobs

	<u>1969-99</u>	<u>1989-99</u>
Unigov average	117%	29%
Peer average	110%	22%
(Wheeling WV-OH)	30%	14%

Finally, Table 6c combines both tables to compare overall job growth. As could be anticipated from the previous tables, Unigovs' total job supply outgrew their peer communities by 99% to 86% over the three decades, including a greater proportional edge in the 1990s (25% to 18%).

Table 6c
Trends in Total Jobs

	<u>1969-99</u>	<u>1989-99</u>
Unigov average	99%	25%
Peer average	86%	18%
(Wheeling WV-OH)	10%	11%

Regional income growth: Table 7 tracks the growth of personal income per capita over the same periods (as adjusted for the national rate of inflation, which was 354 percent over the three decades!)⁸

Table 7
Growth in Real Personal Income Per Capita

	<u>1969-99</u>	<u>1989-99</u>
Unigov average	75%	17%
Peer average	69%	11%
(Wheeling WV-OH)	51%	12%

⁸ Personal income is a less than satisfactory measure that overstates economic well-being. In addition to actual individuals, the U.S. Bureau of Economic Analysis includes non-profit institutions serving individuals, private non-insured welfare funds, and private trust funds as "persons." Regions that are major headquarters for banks, pension funds, etc. tend to overstate personal income per capita. ("Personal income per capita" averages about 20-25 percent higher than "money income per capita" that counts only money received by real people.) Moreover, the run-up of the stock market during the 1980s and, particularly, the 1990s greatly inflated the "personal income" of these major institutional investors as well as of stock-holding individual investors. Despite its drawbacks, personal income per capita is the only income measure that BEA provides.

The Unigov regions saw the real standard of living per capita improve slightly better (75%) than it did in their peer regions (69%). By contrast, real personal income per capita improved only 51 percent over the three decades and 12 percent in the 1990s.⁹

Concluding Thoughts

I want to reemphasize the note of caution with which I began. Some of the Unigov regions have inherent assets that the Wheeling region clearly doesn't have. Indianapolis and Nashville are state capitals (as are Columbus OH, Jackson, Montgomery, and Columbia among the peers). State capital *regions* have generally prospered economically in recent decades. ("Inelastic" capital cities like Hartford, Trenton, and Harrisburg, however, are among the nation's poorest cities.) Lexington and Athens are sites of their principal state university campus (as are Columbus OH and Columbia). In fact, every region among both Unigovs and peers contains major colleges and universities, except, to my knowledge, Atlantic City, Savannah, Macon, Hattiesburg, and Albany GA. Wheeling lacks a major college or university both as a source of on-campus jobs and income and as a knowledge resource helping drive economic growth. Columbus GA is the site of a major military facility (Fort Benning) that, if not producing dynamic growth, serves as the foundation of the regional economy. Several peer regions are also sites of major military facilities, most notably Dayton, Charleston, and Norfolk, the world's largest naval base.

Certainly, the loss of Wheeling's steel industry was not a consequence of how regional governance was organized any more than the Pittsburgh area's being divided into 325 "little boxes" municipalities caused the loss of its steel industry. However, as Carnegie Mellon University's Jerry Paytas¹⁰

⁹ However, enthusiasm over local income growth must be tempered by the knowledge that "personal income per capita" includes the earnings of bank trust departments, such as WesBanco, one of the nation's biggest trust departments, which would have had banner results in the stock market boom of the 1990s (see footnote 8). Much of local banks' trust department assets represents "old money" from Wheeling's heyday and often flows to beneficiaries that no longer live in the area even though the government statisticians attribute it to the Wheeling region's economy.

¹⁰ Jerry Paytas, "Does Governance Matter? The Dynamics of Metropolitan Governance and Competitiveness." Working paper, Carnegie Mellon Center for Economic Development (2002). Available at www.smartpolicy.org/publications.smtml.

and the University of Pittsburgh's David Miller¹¹ have shown, excessive governmental fragmentation has an adverse effect on economic growth. Arguably, such fragmentation has impeded the Pittsburgh area's economic recovery just as having a much-weakened city at the heart of the Wheeling region has hurt its recovery.

Even if politically achievable, consolidating Pittsburgh with Allegheny County would have no practical benefit; no other municipality would join the merger, and there is no unincorporated land that Allegheny County could bring as a "dowry" to the marriage.

That is not the case, however, with Wheeling and Ohio County. City-county consolidation would unify most of the residents and tax base within Ohio county under one government that *could* be a more effective and efficient public partner for private sector economic development initiatives.

Though this brief comparative review of city-county consolidation elsewhere hardly presents an open-and-shut case, the evidence supports the judgment that city-county consolidation has contributed to stronger economic growth.

One cannot keep doing the same old thing and expect different results. The Wheeling-Ohio County community clearly needs to consider a new game plan. City-county consolidation could be a winner.

Creating a metro government would let Wheeling tell the world a different story than it's been telling for the last 50 years.

¹¹ See David Y. Miller. *The Regional Governing of Metropolitan America*. (Westview Press, 2002). His Metropolitan Power Diffusion Index (MPDI), a sophisticated measure of governmental fragmentation, is available at <http://www.gspia.pitt.edu/mpdi/>.