

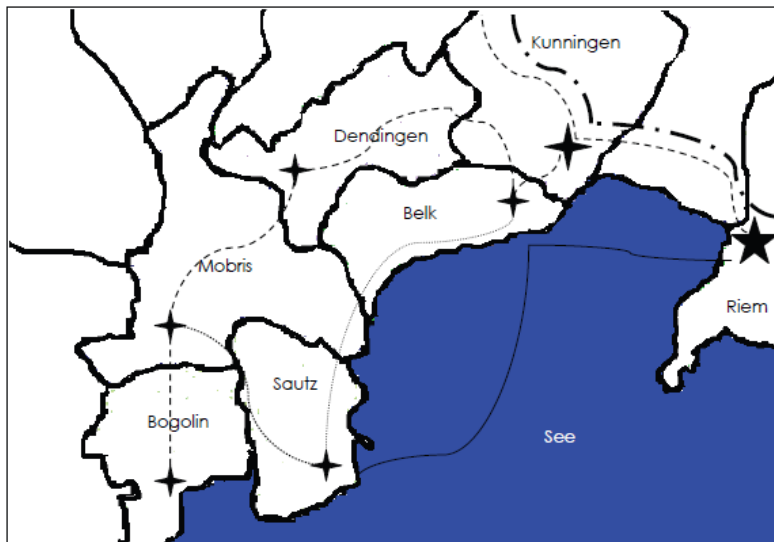
### Case Study 3: A Merger of Two Municipalities



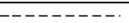
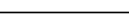

#### Introduction

A year ago, the council of the municipality of Belk expressed the wish to merge with the municipality of Kunningen. In Belk, a project group was immediately set up to conduct an initial investigation. Kunningen, on the other hand, has not yet taken a clear position on whether it wishes to merge with Belk. In order to assess the situation, the council of Kunningen has hired you as a consultant to examine the feasibility of such a merger.

In the following, information is provided about the location, traffic situation, public administration, population, executive, and financial situation of the two municipalities.

#### Location of the Municipalities of Belk and Kunningen



	Center of Municipality
	Motorway
	Railway
	Local Road
	Shipping Line

#### Public Transport and Road Access

- Kunningen is a traffic and transport hub:
  - Railway: Express train line from the North to the center of Riem; important junction of the regional train network
  - Bus: Connections to Riem, Belk, and Dendingen
  - Motorway connection
- There is a bus line connecting Belk and Kunningen
- There is a regional train service connecting Kunningen and Mobris, which also serves Belk and Dendingen.
- There is a boat service connecting Belk, Riem, and Sautz.

## Public Administration of the Municipalities of Belk and Kunningen

Administrative Units of Belk	Administrative Units of Kunningen
<ul style="list-style-type: none"><li>▪ Presidential Department</li><li>▪ Municipal Clerk</li><li>▪ Department of Social Affairs</li><li>▪ Department of Education</li><li>▪ Department of Construction</li></ul>	<ul style="list-style-type: none"><li>▪ Presidential Department</li><li>▪ Department of Finance</li><li>▪ Department of Education</li><li>▪ Department of Construction</li><li>▪ Department of Environment and Safety</li><li>▪ Department of Social Affairs</li></ul>

## Population

- Belk: 1,012 residents
- Kunningen: 7,532 residents
- Mobris: 5,135 residents
- Bogolin: 2,149 residents
- Sautz: 3,124 residents
- Dendingen: 1,743 residents
- Riem: 19,378 residents

## Municipal Council (Executive)

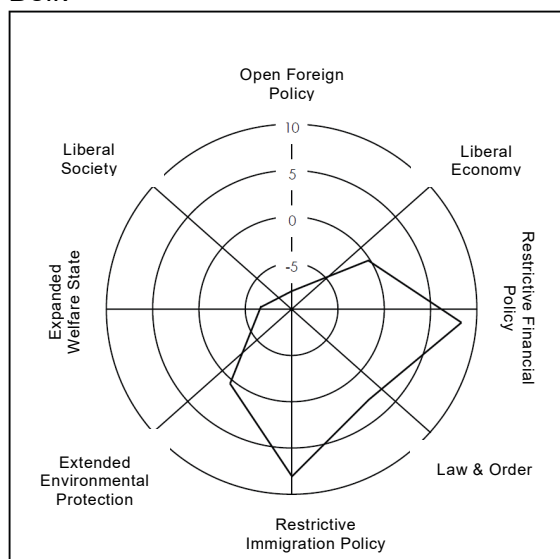
Municipality	Belk	Kunningen
Members	5 councilors	5 councilors
Term	4 years	4 years
Budget	EUR 100,000 for one-off expenditure, EUR 50,000 for recurring expenses	EUR 30,000 for one-off expenditure, EUR 20,000 for recurring expenses

## Requirements for the Approval of a Merger

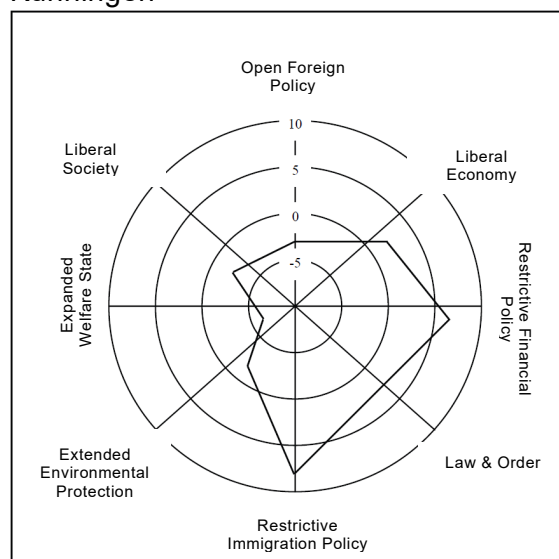
- A merger of the municipalities of Belk and Kunningen requires the approval of both councils and the population by referendum.
- The merger must also be approved by the higher tier of government.

## Political Positioning of the Municipalities of Belk and Kunningen (based on a survey of residents)

Belk



Kunningen



## The Financial Situation of the Two Municipalities

(in million euros)

	Belk	Kunningen
<i>Income Statement</i>		
Income	4.7	41
Expenses	4.5	39
Cash flow	0.6	5.8
<i>Balance Sheet</i>		
Financial assets	3.6	16
Administrative assets	4.9	35
Liabilities	9	34
Equity	-0.5	17
<i>Investment Statement</i>		
Expenses	0.6	7
Income	0.2	2
Net investment	0.4	5

### *Tax Income*

Taxes of natural persons	2.2	16
Taxes of legal persons	0.06	7
Other taxes	0.5	3
Total tax income	2.76	26
Subsidies of the state	0.4	2.3
Tax base (as a percentage of the state tax base)	113%	70%
Tax income per resident	EUR 2,100	EUR 2,100

### **Questions**

1. Analyze the municipalities of Belk and Kunningen.
2. Assess the merger from the perspective of the stakeholders listed below. Are they more likely to support or oppose the merger?
  - Higher tiers of government
  - Municipal Council (executive)
  - Employees of public administration
  - Companies based in the municipality of Kunningen
  - Local population
3. Discuss the advantages and disadvantages of a merger between the two municipalities and make a recommendation based on your assessment.