



Serving Municipal Government Since 1915

Atlantic City Conference Center

November 21, 2013

10:45 am to 12:00 pm

Our Shared Services Panel

Presiding: **Susan Howard**, Mayor, Monmouth Beach

- **Gregory C. Fehrenbach**, NJ State League of Municipalities, Interlocal Cooperation & Management Advisory Service Coordinator
- **Nancy Malool**, Division of Local Government Services, Director of Shared Services and Municipal Consolidation
- **Gary LaVenja**, Township Manager, Township of Maple Shade
- **Colleen Mahr**, Mayor, Borough of Fanwood
- **Linda K. Murphy**, President – NJ Shared Services Association
- **Gary Passanante**, Mayor, Borough of Somerdale and former Shared Services Director, Camden County

Fun Facts for NJ Taxpayers

- In 2013, **Tax Freedom Day**[®] for New Jersey taxpayers was May 4, ranking them 3rd in the nation. Nationally, it is April 18.
- Property taxes in New Jersey have long been the highest in the nation, no matter how you analyze them.
 - Average property tax per household: **# 1**
 - Property tax per capita: **# 1**
 - Property tax as a % of the market value of the home: **# 1**
 - Property tax as a % of household income: **# 1**
- NJ ranks **#1** nationally with 85 government employees per square mile.
- In 2012, the average NJ property tax bill was **\$7,885**.





Serving Municipal Government Since 1915

THE PROS AND CONS OF SHARING SERVICES:

What are Shared Services?

What Is A Shared Service?

A service is defined by the law as “any of the powers, duties, and functions exercised or performed by a local unit.”

P.L. 2007, c 63 (C.40A:65-1, *et seq.*)

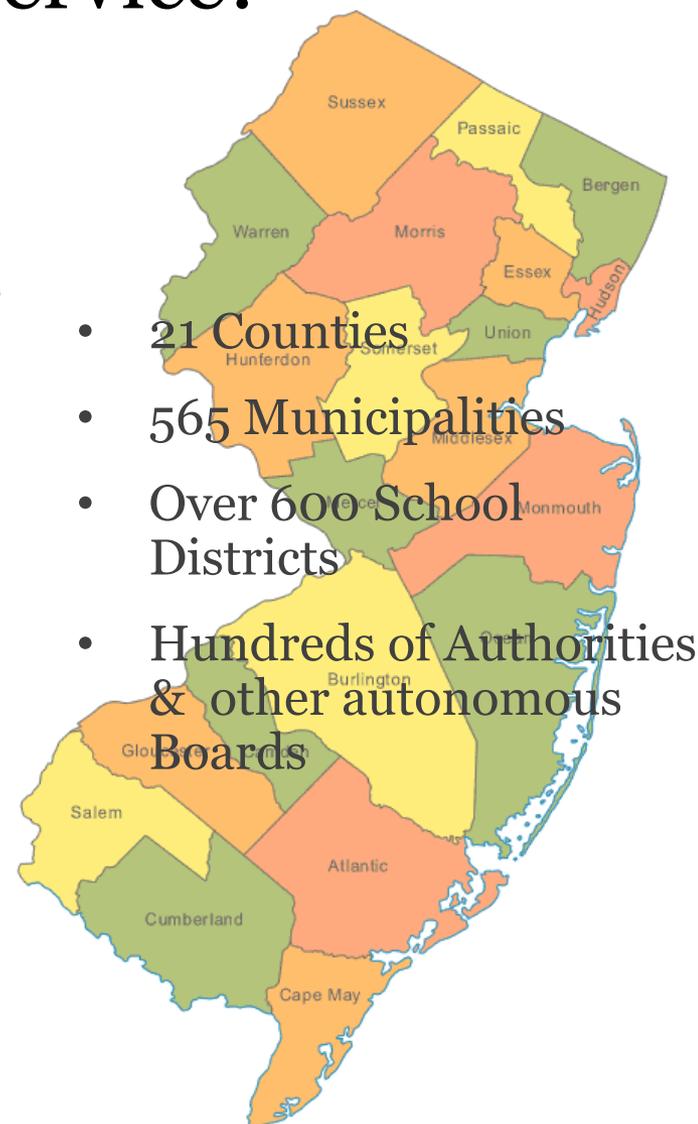
Other Types of Sharing

Mutual Aid

Cooperative Pricing

Cooperative Purchasing

Joint Insurance Funds



What Is Not A Shared Service?

Situation	Type of Sharing
Quinton loans Elsinboro a tractor .	This is not mutual aid (limited to public safety) and is not a shared service. If no money is exchanged, it's just being a Good Neighbor .
One CFO works for both Hawthorne and Passaic and gets two separate paychecks.	This is not a shared service. The CFO is just an Employee of two different towns. If Hawthorne and Passaic agreed to share the CFO, and Passaic pays the full salary but gets a contribution from Hawthorne, then it is a true shared service.
Morris Plains rents a street sweeper from Denville for \$100 per day.	Per Local Public Contracts Law, any local unit can contract with another local unit without bidding. If local entities have an agreement with each other for the use of the sweeper and Morris Plains is paying Denville, then it's a Regular Contract .

What Is Not A Shared Service?

Situation	Type of Sharing
Toms River puts out a bid for street repair; Beachwood agrees to have the contractor repair its streets and pays Toms River for the work.	In this case, the parties must utilize cooperative purchasing. Since Beachwood will be paying Toms River (the lead agent bidding, contracting with, and paying the private vendor), this should be done through a Joint Purchasing Agreement .
Monroe uses Cranbury's gas pumps to fuel their vehicles and pays Cranbury for the cost of the gas.	When one local unit sells commodities to another, the parties must use a Commodity Resale Agreement . Commodities include gasoline and diesel fuel; salt, brine, sand and other snow removal chemicals; and some public works items like road construction materials.
Avalon washes its trucks at Cape May County's vehicle wash facility and pays \$20 per wash.	Avalon is simply using the county's equipment for a fee, so it's a Regular Contract . However, if the County's employees were performing the washing, then it would be a real shared service.

Types of Shared Services

Local Government Shared Services

- ‘High Touch’
 - Public safety – police, fire, EMS
 - Road maintenance – ‘potholes’
 - Sanitation and recycling
 - Recreation programs/facilities
 - Buildings & grounds mtnce
 - Payment of property taxes, utilities, fees, and fines
 - All types of permits & licenses
- ‘Low Touch’
 - Budget, finance, and accounting
 - Personnel & payroll systems
 - Energy aggregation/renewable energy projects
 - Transportation routing system
 - Work orders/cost tracking
 - Health services activity tracking
 - Public records access (OPRA)

Types of Shared Services

Shared Services	# of Parties	Public Partners	Private Partners
Sharing specialized equipment and/or personnel	1:1 or multiple Regional = 3 or more	Any local unit (county, municipal or school district) Payment to lead agency for equipment <i>with operator</i> OR use of personnel	Commercial or nonprofit equipment and/or personnel = regular contract
Sharing a specific service area within a function	1:1 or multiple Regional = 3 or more	Any local unit (county, municipal or school district) Payment to lead agency for service delivery in a specific service area within a function	Lead agency may contract with commercial or nonprofit entity for service delivery
Sharing an entire service delivery function	1:1 or multiple Regional = 3 or more	Any local unit (county, municipal or school district) Payment to lead agency for service delivery of an entire function	Lead agency may contract with commercial or nonprofit entity for service delivery in some/all service areas
Consolidating entire jurisdictions	1:1 or multiple Regional = 3 or more	Any local unit (typically school district or municipality)	Consolidated entity may contract for commercial or nonprofit service delivery in some functions/service areas



Serving Municipal Government Since 1915

THE PROS AND CONS OF SHARING SERVICES:

Impediments that restrict sharing and cooperation

What Are The Primary Barriers?

Thought Process/Behavior

“Home Rule” Mindsets

Politics and Personalities

Loss of Control Fears

Short Term vs. Long Term Focus

Jobs Protection vs. Taxpayer

Territorial Leadership/Protectionist Department Heads

Willingness to Consider New Ideas



What Are The Primary Barriers?

Costs and Service Levels



Coverage of Start-Up Costs

Other Financial Incentives

Viable Cost Allocation Methods

‘Win-Win’ Agreement Negotiations

Service Level Expectations

Desire for Savings Guarantee

‘Right-Sizing’ Personnel

Terms of Agreement

What Are The Primary Barriers?



Other Barriers

Certain NJ Statutes

Civil Service Regulations

Unions/Labor Agreements

Collective Bargaining/Arbitration Awards

Partner Proximity and Size

Existing Management Structures/ Fragmented Organization

Municipal Partnership

Scotch Plains – Fanwood Police Departments



EST. SAVINGS – \$80 to \$100
PER HOUSEHOLD



~\$1 MILLION ANNUALLY

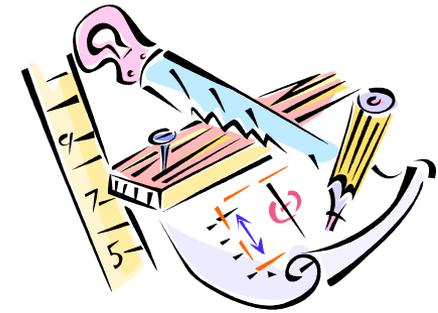


- Driven by desire to reduce cost and positively impact property taxes
- Issues yet to be resolved:
 - Partner relationship: Issues re: governance, risk management & sustainability
 - Organization model: Joint Meeting vs. Lead Agency
 - Civil service status: Larger department is, smaller department is not
 - Police Chief treatment: Executive Director vs. demote, retire, or resign
 - Cost allocation methodology: ‘Win-Win’ savings

Municipal Partnership

Combined Construction Code Offices

- Four Burlington County municipalities
- Impediments:
 - Partner size and work volume differences
 - Organization model: State advocated Joint Meeting vs. Lead Agency
 - Civil service status: Three were, one was not
 - Cost savings questionable
 - Cost of starting/managing Joint Meeting
 - No anticipated savings in Year 1



Municipal Partnership

Combined Police Departments

- Three Burlington County municipalities
- Impediments:
 - ‘Home rule’ mentality/loss of identity
 - Retirement ‘trigger’ missed (one Chief retired & was replaced)
 - Police officer safety concern (one Dept consisted of only 5 officers)
 - Socio-economic and crime rate differences
 - Statutory hurdles /civil service status



Municipal Partnership

Combined Municipal Courts

- Two Burlington County municipalities
 - Projected savings ~\$60,000
- Impediments:
 - Unresolved operational model: ‘shared’ vs. ‘joint’
 - Adamant resistance from one Judge
 - Politics/lack of political will





Serving Municipal Government Since 1915

THE PROS AND CONS OF SHARING SERVICES:

Factors that facilitate sharing and cooperation

What is The Real Value of Sharing Services?

- **Best Practice Areas:** Doing it better than anyone else
- **Available or Extensible Capacity:** Facilities, personnel, and other resources
- **Existing Leverageable Assets:** Buildings, vehicles, equipment, software, etc.
- **Knowledge Capital:** Innovative ideas for dealing with tough issues



Getting Underway With Shared Services

- Acknowledge the need for greater efficiencies and reduced cost of government.
- Seek serious partners with willingness to consider restructuring and a clear ability to work together.
- Look for shared services ‘triggers’.
- Concur on priority initiative(s) and scope.
- Involve affected personnel to the degree possible.
- Validate the opportunity with supporting facts/figures.



Responsibility, Accountability, and Control

Lead Agency Advantages

- Responsibility
 - Full powers as General Agent for duration of agreement
 - High quality service delivery at agreed upon cost levels
- Accountability
 - Operational excellence
 - Revenue accounting
 - Expense transparency
- Control as Lead Agency
 - All elements of service delivery necessary to meet obligations
 - Primary employer

Supported Entity Advantages

- Responsibility
 - Outsource delivery responsibility
 - Advisory Committee participation
 - Meet conditions of agreement
- Accountability
 - Transfer of personnel and assets to Lead Agency
 - Appointment of personnel, if needed
 - Feedback re: service delivery
- Control via Agreement
 - Specific services to be performed
 - Standard for cost, service level, quality, and scope of performance

Ingredients For Success In Sharing Services

- Organizational/Operational Models
 - Mutually agreed.
- ‘Win-Win’ Negotiations – All participants feel they will obtain value and benefits.
- Survivability – The agreement is capable of surviving changes in elected and appointed officials.
- Risk Management – None of the participants ever feel they are left ‘holding the bag’.
- Duration – Length is sufficient for operational stability and employee certainty.



Municipal Partnership

Pascack Valley Department of Public Works (DPW)



54.3% – SAVINGS – 45.7%
OVER \$800,000 ANNUALLY
MITIGATED CAPITAL NEEDS



Pros

- Significant projected cost savings
- Extended capacity w/ improvements in service efficiency and quality
- Leverage of existing and future assets

Cons

- Employee union litigation
(to be decided on its merits)

Less than 10 complete DPW consolidations statewide

Municipal Partnership

Joint Municipal Court of Dover

- Savings of at least 20% (lead agency)
- Improve court efficiency
- Maintain/improve quality of service
- Reduce overall costs

Lead Agency - Supported Agencies



21.1% – SAVINGS – 25.0% to 43.4%

\$265,000 ANNUALLY

MITIGATED CAPITAL NEEDS



The Mayors of Dover, Rockaway, Wharton, Mine Hill, and Mt. Arlington in Morris County, NJ celebrate the signing of a 10-year agreement in 2009. Since then, Victory Gardens has also joined the joint court in Dover.

Municipal Partnership

Regional Public Health Services

Lead Agency

~48 sq miles

Population ~55,700

\$10.18 per capita

Lead Agency

~80 sq miles

Population ~57,700

\$9.45 per capita

Lead Agency

~21 sq miles

Population ~50,000

\$15.37 per capita

- Reduce 'cost per capita served' from as much as \$23.64
- Expand pool of experienced, well-trained personnel
- Broaden staff specialization, where needed
- Produce greater compliance w/ Ten Essential Public Health Services

Regional public health services as a viable alternative

Countywide public health services in 9 of 21 NJ counties

Regional Collaboration as a Trend



GOVERNMENT EFFICIENCY MOVEMENT INC.



Community Collaborative

- Nonprofit, municipality-led restructuring initiative involving 35 municipalities
- Identified savings of more than \$40 million annually
- Conceptual restructuring models in five service areas
- Collaboration among five (5) municipalities with assistance from a nonprofit Foundation
- Multiple areas of priority and common interest
- Jointly funding and pursuing restructuring efforts

Urban Communities Partnership

GOAL: Safe, Attractive, and Proud Urban Communities

Urban communities share the similar needs. The 29 members of this Association represent 5% of NJ municipalities, but have responsibility for serving ~22% of the population of the state.

- Common issues include:
 - Public Safety
 - Education
 - Public Health
 - Community Welfare
 - Affordable Housing
 - Economic Development
- Creation of a multi-point plan to strengthen and unite efforts.



Regional or Countywide Partnerships

Emergency Communications Centers

- Consolidated centers to route police, fire, emergency medical services and 911 calls
- Mitigate high costs for mandated equipment upgrades
- Deal with municipal budget challenges re: public safety



County Emergency Communications Centers are in 12 of 21 NJ counties

Regional or Countywide Partnerships

Shared Fire and EMS Services

- North Hudson Regional Fire and Rescue (NHRFR) – fire protection and medical assistance to North Bergen, Union City, West New York, Weehawken, and Guttenburg.
 - 3rd largest Fire Department in NJ
 - Protects 195,000 residents and more than 50,000 commuters.
- Gloucester County became the first in New Jersey to launch a county-based EMS program, saving \$2.6 million in the 1st year.
 - The program was awarded the 2009 Achievement Award winner for Regionalized Medical Services by the National Association of Counties (NACo).



The Shared Services Agreement

- A Shared Services Agreement is a multi-year contract for service delivery – put it in writing!
 - Duration of agreement
 - Cost allocator/formula
 - Employee-related decisions and actions
 - Treatment of facilities, vehicles, equipment and other assets
 - Ownership and insurance
 - Implementation target date
 - Clear exit clause
 - Specified capital reserve contributions, if needed
 - Service frequency/service levels
 - Make-up of *Oversight Body* for operational and financial reviews
- Approve in draft by all participating parties and attorneys
- Authorizing resolution/ordinance from Governing Bodies
- Formal signatures from all participating parties

The Implementation Process

- Create a specific plan for transitioning to shared services or regionalization
 - Answers to *Who, What, When, Where, and How?*
 - Anticipated efficiency gains/cost savings Year 1 and over time
- NJ State Department(s) involvement
 - Iterative response to issues or concerns
- Employee reconciliation plan
 - Notification, transfer, redeployment, retirement, or termination
 - Approval by Civil Service Commission, if needed
 - Contract reconciliation assistance by PERC



Serving Municipal Government Since 1915

THE PROS AND CONS OF SHARING SERVICES:

Thank You