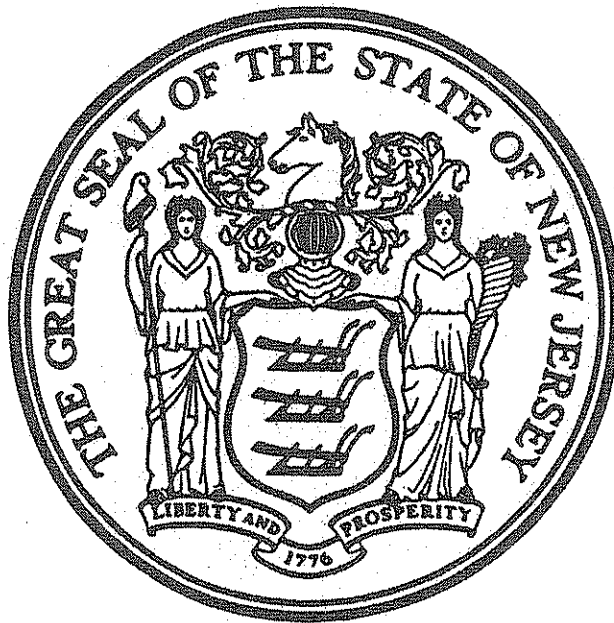


ACHIEVING EXCELLENCE

**A Guide for Local Officials and Taxpayers
to Identify Cost Savings and Improve Local Services**



Christine Todd Whitman
Governor

THE STATE OF NEW JERSEY

IN SENATE

January 10, 1907



REPORT OF THE



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CHRISTINE TODD WHITMAN
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October 1996

Dear Local Officials and Taxpayers,

As taxpayers and elected officials, we have an obligation to ensure that government spends the tax dollars it receives in the most cost-effective manner. To assist local officials and interested citizens fulfill this responsibility, I am pleased to offer this guide to performance reviews of local government. This "how-to" manual is designed to help communities, counties and school boards identify savings and improve efficiency. It contains tips on ways to assess procedures and implement reasonable efficiencies on the local level. I know this guide can help municipalities, counties and school boards cut costs and reduce taxes.

The information contained in this manual is based upon the findings of the Local Government Budget Review Program. I established this unique State program - the first of its kind in the country - to assist local governments interested in performance and budget reviews. Teams of professionals skilled in the management of local government are available to municipalities, school boards and counties that request our help. The local government budget review program has identified estimated savings of almost \$60 million from the first 22 municipalities and school districts reviewed. To date, the average savings as a percent of local property tax for schools has been 14.5%, and 17% for municipalities.

As a credit to the program, and those committed to cutting costs on the local level, the requests for reviews have been overwhelming. The State of New Jersey will continue its commitment to local governing bodies by performing additional local government budget reviews. But with this guide, performance evaluations of local governments will no longer be restricted to just the members of the review teams.

This guide provides valuable information so that officials and taxpayers can conduct reviews locally and begin to achieve savings that can help reduce local budgets and control property taxes.

Our goal is to help our citizens keep as much of their hard-earned money in their own pockets. We encourage you to feel free to make use of the strategies, information and recommendations offered in this manual to assist us in achieving this important goal.

Sincerely yours,

A handwritten signature in cursive script that reads "Christine Todd Whitman".

Christine Todd Whitman
Governor

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INTRODUCTION

In Governor Christine Todd Whitman's initial budget address in 1994 she offered local governments the State's assistance in identifying ways to cut reliance on local property taxes. That promise was the genesis of the Local Government Budget Review (LGBR) Teams.

Local Government Budget Review Teams are led by experienced municipal or school management professionals and comprise staff from the State of New Jersey's Departments of Treasury, Education and Community Affairs. A voluntary service, LGBR Teams must be officially invited to review communities through resolutions approved by a majority of the governing bodies. Averaging 4-6 weeks of field work, the teams gather information by:

- Reviewing financial documents such as the annual budget submitted to the state; annual audits; annual financial statements; payroll documents; policy manuals, etc.;
- interviewing elected officials;
- interviewing key staff;
- observing operations;
- inspecting facilities; and
- identifying solutions implemented by other communities.

The results of each review are compiled in a report that is presented in public to the elected officials and the citizens. The report includes identification of best practices; recommendations that will lead to decreased reliance on property taxes; and suggestions for review of specific state laws or regulations.

In our first 20 months, we completed 22 reviews including 11 municipalities, 10 schools and 1 municipal utility authority. Nine more reports -- four municipal and five school -- are in various stages of development. The list of school and municipal governments requesting LGBR services has grown to over 215. Faced with the dilemma posed by the strong demand for our services, we are taking the time now to reflect on the data collected and provide a summary of our philosophy and observations. This report is intended to be of use to those communities requesting our services that we have yet to visit by providing a framework for public officials to begin examination of their operations.

THE GOAL IS CONTINUOUS IMPROVEMENT

Historically, governments' solutions to problems have been to simply add more employees or programs to address a problem or issue. As we look at them today, the structure and operation of local governments -- municipalities, school systems, utilities -- are the result of reactions to changes in the community layered on the previous structure. Whether they were socioeconomic changes, changes in State or Federal programs and regulations or a host of other factors, the solution was always the same -- add an employee, expand an organization, spend more tax dollars or all three to solve the problem. Years of unfettered growth was slowed somewhat by taxpayers' revolts including Proposition 13 in California, Proposition 2.5 in Massachusetts and New Jersey's Cap Law. Booming real estate values and Federal and State aid increases allowed budgets to continue to grow in spite of these limits. However, the economic changes of the last several years along with taxpayers' frustrations have meant that growth in government or, in many cases, even maintaining the status quo, has resulted in unacceptable pressure on property taxes. In today's political and economic climate, most elected officials and public administrators have come to accept that increasing property taxes is no longer the solution.

In the past few years, New Jersey has seen varied approaches to the dilemma outlined above. In many cases, the solution has been a quick, one time fix -- increased borrowing as seen with Fiscal Year Adjustment Bonds (FYABs), deferred taxes, land sales, or depletion of surpluses. The task assumed by Local Government Budget Review is to look at each municipality and school system and identify lasting improvements that can be made in their operations. As independent management consultants, we have the advantage of observations made outside of the day to day crises of getting the snow removed, keeping the school buses running or getting the garbage picked up. We have learned that by taking the time to do the appropriate analysis, it is possible to identify potential alternatives or changes that provide effective and efficient methods of operating, including crisis prevention and management. The goal is continuous improvement, not quick fixes but ongoing structural improvement in the way issues are identified and resolved.

THE METHOD IS CONTINUOUS PROCESSING OF INFORMATION

The Local Government Budget Review (LGBR) program's goal is to assist local governments to develop a process which decreases reliance on property taxes while maintaining or improving the quality and/or productivity of services delivered. Decreased reliance on property taxes must come in one of three ways, either:

- Decreased operating expenditures; or
- enhanced productivity of the current property tax process; and/or
- expansion of nonproperty tax revenues.

LGBR experience has shown that a critical component of successful improvement is that the entire community including all local governmental entities -- schools, counties, municipalities and authorities -- commit to seeking improvement. On average, in the municipalities studied to date, the municipal share of property taxes has been less than one third of the taxes collected. Two thirds of the property tax revenues collected have gone to the school system and the county. Table 1 provides a summary of Tax Levy information from reviewed communities. In order for real property tax relief to occur, all governmental units must work cooperatively to control their spending. For that reason, the Local Government Budget Review process has given priority to working with those communities in which both the municipal and school officials have committed to the process.

Sharing Power by Donald Kettl examines the nature of competitive contracting as a means of providing government services. Kettl concludes in his book that "The government must become a *smart buyer*, able to define what it wants to buy, to know how to get it, and to be able to recognize and judge what is bought." LGBR's experience with the first 22 governmental entities has shown that this conclusion holds true not only for competitive contracting but for all service delivery. Every expenditure has at its end a service. To assure the greatest productivity from the tax dollar, the service must be appropriate, it must be delivered in the most efficient and effective way and it must be evaluated in terms of whether it has met its objective and whether it is still the correct definition of a service, given changes in the community.

The analysis is simple, but not necessarily easy. The purpose is to:

- Identify the stakeholders;
- identify the services being provided;
- identify the cost of those services;
- define the extent to which the services should be tax supported;
- determine whether or not the services should actually be provided by government; and
- identify possible alternative means of delivering the service -- find ways to promote competition and reduce duplicated costs and/or efforts.

Table 1
Tax Revenue Data
Local Government Budget Review Communities

Municipality	Population 1990	Tax Revenues 1994				Total	Net Valuation		Tax		Reserve for uncollected taxes
		Municipal	School	County			Taxable	Exempt			
Atlantic City	37,986	\$89,993,342	\$42,248,323	\$31,983,979	\$164,225,644	\$6,122,829,791	\$1,340,653,750	\$9,164,170			
Bloomfield	45,061	\$20,186,473	\$31,235,841	\$15,909,501	\$67,331,815	\$2,097,904,800	\$185,300,700	\$2,437,835			
Bradley Beach	4,475	\$2,546,734	\$4,259,845	\$1,321,570	\$8,128,149	\$316,206,696	\$12,533,500	\$319,659			
Camden	87,492	\$21,487,686	\$10,692,827	\$8,937,466	\$41,117,979	\$899,932,897	\$669,434,614	\$8,679,506			
Downe	1,702	\$111,240	\$856,497	\$679,706	\$1,647,443	\$74,963,127	\$12,034,400	\$284,998			
Jamesburg	5,300	\$1,428,583	\$3,790,055	\$888,692	\$6,107,330	\$130,175,927	\$13,819,200	\$575,476			
Keansburg	11,069	\$3,801,605	\$5,146,935	\$1,411,190	\$10,359,730	\$345,772,062	\$34,616,700	\$1,428,503			
Kearny	34,874	\$15,325,170	\$24,642,239	\$13,525,665	\$53,493,074	\$1,065,643,736	\$385,947,210	\$2,575,042			
Lakewood	45,048	\$16,426,400	\$23,001,376	\$8,752,223	\$48,179,999	\$1,849,404,813	\$272,982,500	\$4,282,188			
Passaic	58,041	\$31,135,994	\$14,844,912	\$7,747,142	\$53,728,048	\$1,340,801,900	\$421,321,400	\$5,357,739			
Ventnor	11,044	\$8,391,300	\$7,024,730	\$4,858,076	\$20,274,126	\$994,558,030	\$37,957,900	\$1,369,520			
Willingboro	36,291	\$9,320,010	\$12,818,061	\$5,768,674	\$27,906,745	\$988,132,868	\$28,402,425	\$1,588,400			
Total	378,383	\$220,134,536	\$180,561,661	\$101,783,884	\$502,500,082	\$16,226,326,647	\$3,415,004,299	\$38,263,036			
Average	31,532	\$18,346,211	\$15,046,805	\$8,481,990	\$41,875,007	\$1,352,193,887	\$284,583,692	\$3,188,586			
Median	22,972	\$8,855,655	\$8,858,789	\$5,313,375	\$24,090,435	\$944,032,883	\$36,287,300	\$1,508,452			

Know Your Stakeholders

In business, the obligation of the board of directors and the CEO is not only to satisfy customers but also to maximize the value of the shares of the corporation, increase the wealth of the shareholders and in this way convince them to continue to invest in the company. Local government is similarly complex. The obligation of the Mayor, Business Administrator and governing body is not only to satisfy service recipients but also to maximize the value to stakeholders of the tax dollar collected and expended in the community. This, in turn, will help to stabilize the population and tax base. Maximizing the value of the tax dollar involves identifying which services hold value to the stakeholders while assuring that the services are delivered in an efficient and effective way. Stakeholders that must be satisfied include the taxpayers, the voters and the residents. Although these groups overlap, they are not exactly the same and it follows that each group's definition of maximizing the value is not the same. The overlap among these groups has a decided impact on what services are provided. Identifying the interest groups, knowing the extent of their interests as well as the extent to which their interests overlap is important to understanding what services exist and perhaps what services should be the responsibility of the local government.

The difference between these groups is clear in a community such as Atlantic City. While there is no other municipality in New Jersey like Atlantic City, the issues raised by the need to satisfy all three groups of stakeholders with their distinct differences, is mirrored throughout New Jersey municipalities. Atlantic City derives 60% of its property tax revenues from the casinos. While Casino owners do not vote in Atlantic City, the success and satisfaction of the Casino owners is integral to continued improvement in the tax base. On the other hand, the residents are the voters. The services that are of value to these separate and distinct groups are very different. This helps to explain the complexity and volume of services provided by Atlantic City government. In reality the interests of the stakeholders change over time and services have been layered upon each other to deal with those interests without an appropriate evaluation of the value of existing services.

An example, in Atlantic City, of a service expanded with layer upon layer and yet not focusing on the constituents served, is the operation of their Mercantile Licensing Division. "It was not uncommon to find that a customer (taxpayer, business owner, stakeholder) had to visit several offices two or more times before finishing the process...the cumbersome local ordinances, disorganized office procedures and erratic field work made it difficult to identify all costs...overall the review team found the entire mercantile process to be inefficient, ineffective and costly to taxpayers." The operation collected \$863,985 in revenues in 1994 and cost an estimated \$864,010 to manage. It did not lessen the community's reliance on property taxes and more importantly it did not serve to either protect the public or serve the businesses. The complexity, subjectivity and pettiness of the mercantile process had alienated everyone from the smallest umbrella vendor who was inspected again and again to the largest casino which repeatedly received inaccurate bills. In short, close to one million dollars changed hands to no avail -- except for the employment of some City residents. By refocusing on the stakeholders -- taxpayers and business owners -- the service provided through the process can be rationally

defined to protect the public and to serve the business community. As a result, the LGBR Team recommended that:

- The number of types of licenses be reduced;
- the licensing process be streamlined and limited; and
- revenues be enhanced by competitively bidding the lucrative vending sites.

It is through the accurate definition of the stakeholders and a clear focus on the public service to be provided that an appropriate level of service can be formulated.

An equally divergent set of stakeholders had a more positive effect on the cost of schools in Lakewood where large proportions of the population are elderly or Hassidic, and therefore do not use the public schools. A significant number of public school students, from low to moderate income families, do not have the means to attend private schools. The majority of voters have not supported the use of tax dollars for public schools and yet the schools must serve the community. The Lakewood Board of Education has worked to address this paradox by cutting the costs of school services while continuing to provide the services that meet the needs of the children in the school system. The Board has substantially cut administrative expenses and has successfully contracted food, transportation, and maintenance services at a great cost savings. At the same time, they continue to offer and develop services specifically addressing the needs of the children. For example, there is an extensive pupil support services program and the Board developed The Lakewood Education Institute to provide an alternative for disaffected Lakewood students.

The challenge that continues to confront any governing body is to identify the services of value to the stakeholders; to find the most effective and efficient way of providing those services; and to communicate the decision to provide those services in a way that demonstrates their value. Everyone's interests are best served if the services are of a quality that ultimately enhances the value of the property and the health of the community's economy.

Define Your Services

Once the stakeholders have been identified and their interests understood, the services being provided must be explicitly defined. For instance, police service can be defined as community relations i.e. helping an elderly homeowner with a plumbing problem or it can be defined as the prevention and control of crime depending on the demographics, needs and desires of a particular community. In many communities, the service levels are delivered and paid for based on tradition or the belief that no alternatives exist, not because the community has made a conscious decision about the level of service. The definition of service will determine what options are available -- from having police service provided by the State Police, to regionalized operations, to some shared services, or to operating a separate department.

The Downe Township School District provides an example of a successfully creative definition of service in a community with a year round population of 1,702 and a summer population of around 3,000. The Township K-8 school district has an enrollment of 274 elementary students,

208 of whom are residents of Downe. In Downe, the year round residents are the voters and the majority of the taxpayers, and the people who send their children to the public school. Sensitive to the impact of taxes on property value, especially in a seasonal community, there is incentive to provide education locally while finding creative ways to defray the costs. In addition to providing K-8 education locally, Downe expanded its service definition to include not only the requisite special education services for its own students, but also service to special education students from other districts. Downe serves 66 additional students from ten other school districts in Cape May and Southern Cumberland County and receives tuition payments of \$848,325. The payments cover the direct costs of educating these students and also spread the administrative and overhead costs over a larger population, thus lowering the per pupil cost of education in the school district.

Defining the Downe Township Board of Education's service or product as the education of K-8 resident students and regional special education students, provides room to achieve significant per pupil savings. By examining its capacity to provide special education services and working to keep those services at capacity, the review team found that Downe could serve as many as 48 more special education students. By reaching this capacity they could bring their per pupil costs closer to, or even below, the state average. Table 1 shows the impact on per student costs of the various options available to Downe, depending upon their definition of service. Implementation of Scenario 4, the recommendation of the LGBR Team, would bring the per student cost to a level below the state average. Downe has a good service to market to other districts; is running a successful program; and enables other school districts to avoid the high fixed costs of operating their own special education programs.

The Downe Township Board of Education's special education program demonstrates the value of looking beyond local boundaries. It shows that regionalization can work with one municipality providing a service. In this case, it was appropriate for an existing local entity to operate a specific regional service rather than establishing a new entity such as a countywide school district for special education.

Table 2: Downe Township Special Education Services Alternatives

Downe Township Board of Education Special Education Services Alternatives				
Scenario	Special Education Students	Financial Impact (Net)	Total Students	Per Student Costs
Current	95	\$248,363	274	\$9,830
Retain Preschool and NI/PI	41	-\$239,915	220	\$12,243
With No Special Education	-95	-\$248,363	179	\$15,047
With More Outside Students	143	\$750,000	322	\$8,365
State Average Per Pupil Cost				\$8,751

In Hamilton Township there are three high schools, three intermediate schools and 17 elementary schools. The elementary schools are located within well defined neighborhoods and there is a public and vocal commitment by the Board of Education to maintaining the neighborhood school concept. The LGBR report dealt with two issues that are driven by the neighborhood school concept: courtesy busing and the cost, both in dollars and educational services, of operating numerous small school buildings.

One of the theoretic advantages of neighborhood schools is lower transportation costs. However, in Hamilton, 48% of the students transported fall within the "courtesy busing" parameters. For the 1994-95 school year, this service cost \$777,008 or 28% of the transportation expenditure. A recommendation that two elementary schools be closed and that the District begin to streamline and modernize its elementary education program would save \$451,900 in operating costs in the first year. To evaluate the two recommendations, the School Board must first define and prioritize the services it is providing. A change in the commitment to the neighborhood school concept and to courtesy transportation would release money for academic improvements to the elementary schools. Adoption of a long range capital plan that addressed critical facility needs and recent population shifts by redefining the neighborhoods served by the elementary schools, would also enable the district to release money to improve elementary school education.

In municipalities, the definition of service is equally important. Jamesburg provides an example of how a refined and specific definition of service significantly enhances the productivity of the property tax dollars spent. The Borough of Jamesburg in Middlesex County is less than one mile square and serves a population of 5,300. Given very limited financial resources, the Public Library has tailored its definition of service to meet the specific needs of its community that can not be met by other libraries. Most libraries in Middlesex and Union County participate in a reciprocal borrowing network which is connected through an automated system. Residents of Jamesburg can access the nearby Monroe Public Library for more sophisticated reference and research materials. This enables Jamesburg to focus its services on the neighborhood walk-in library uses by providing an extensive children's collection, popular fiction and large print materials. In addition, they provide extensive children's programming. The result of defining and focusing the service provided was a doubling of its circulation (use by stakeholders) from 1990 to 1994.

Part of the definition of service is deciding if it is an appropriate government role at all. In the Hamilton Schools report it was recommended that as a result of the investment in sophisticated simulators, the behind the wheel aspect of the High School's Driver's Education program be dropped for a cost savings of more than \$161,000 or \$191 per high school student.

Decide How a Service is to be Funded

The default funding source for all municipal services is the property tax. The property tax is a generalized levy on all property owners. Municipal services do not necessarily benefit all property owners. In many cases they benefit a portion of the population -- the users. It is the

elected officials' responsibility to make an explicit decision as to what degree the property tax is going to subsidize a function. This decision should be made based on:

- The degree to which the service adds value to the property;
- the ability of the user to pay;
- the extent to which the users and the taxpayers are the same; and
- whether the service is of value to the general public.

Taken together this information provides direction in determining the degree to which fees or property taxes should support a program. In Willingboro, the Township offers a comprehensive series of recreation programs for both children and adults. The actual cost of the Willingboro recreation program in 1993 was \$330,000 and the revenues derived were \$52,767. All taxpayers subsidized 85% of an optional program used by a portion of the population. The LGBR Team recommended that an annual review be undertaken to evaluate the actual costs of recreation services and that fees reflect the nature of the program. An example of a target for fees to subsidize the recreation programs of 50% would increase revenues by \$140,000 based on those 1993 figures.

LGBR Teams routinely recommend that all license fees -- for dog licenses to Alcoholic Beverage Commission (ABC) licenses -- be reviewed regularly in terms of the costs of the regulation and raised periodically to cover those costs. The potential for increased revenues identified ranged from around \$9,000 in Keansburg to \$22,300 in Passaic City. In Lakewood, more aggressive collection of fees for Emergency Medical Services were estimated to potentially increase revenues for that specific service used by a small segment of the population, by more than \$200,000.

Lakewood's Community School provides a myriad of programs for youth and adults alike. Although the staff for the community school is funded by the Board of Education, their services are also used for the Township's summer recreation program. The total amount of fees received by the Community School was \$57,185 against a total operating cost of \$380,790. Again the public subsidizes 85% of the program. Fees had not been reevaluated since 1985. The team recommended that fees cover at least 50% of the costs.

In many cases, the LGBR reviews have identified programs or services which are 100% tax supported for which a fee or registration cost could be appropriate. As new programs or services are developed, the elected officials must make a decision as to the level of public subsidy that the program will receive.

Know the True Costs

Critical to evaluating a service, is the identification of all costs. Costs which are typically not considered in the true cost of a Municipal operation are:

- Health benefits, pension and statutory benefits.
- Indirect costs of vacation, sick time etc.
- Administrative costs.

- Overhead costs including utilities, vehicles, insurance, etc.
- Lost revenues.

Identifying the true cost of a service may quickly change the definition of the service to be provided. Ventnor City is a beach community that takes great pride in the low beach fees it charges and in the level of service it provides to its residents and summer visitors. Municipal officials acknowledged that beach fees cover some but not all of the direct salary and operations costs of life guards, beach cleaning and maintenance, but they were not aware of the degree to which the property tax subsidized the beach operation. When the true operating costs were identified and compiled to include benefit costs and indirect costs, the true operating cost is almost doubled and the actual annual operating loss was \$160,992. By increasing the fees from very moderate prices and by marketing their product, Ventnor City could significantly decrease the property tax subsidy of beach operations.

In Atlantic City, the City manages and prepares the payroll for off-duty police officers. In 1994 approximately \$881,250 was paid to more than 200 police officers through a payroll prepared by the City on off pay weeks. Three police officers work full time on the management of off-duty assignments and payroll. One of the questions raised by this practice in the LGBR report is the extent to which it is appropriate to pay City personnel to process a second separate payroll and to assign City police officers to schedule and manage the off-duty work. The City does charge a premium over the hourly rate paid to the police officer but an analysis has not been done to ensure that the premium covers the cost of managing the assignments and preparing the payroll. This information is part of the critical analysis needed to identify the appropriate role of the City in this process.

In schools, the regulations governing specific services such as transportation can increase the true costs of a service. Keansburg, a 1.1 square mile Borough, provides courtesy transportation to public school students. This decision has cost the Board of Education an additional \$31,000 to provide equivalent transportation services to its 63 nonpublic school students.

Typically, the cost of services provided by another department is ignored when the cost of a service is being calculated. This is the case when a public works department takes care of baseball fields. Maintenance of fields is clearly a cost of providing recreation services and thus should be considered when identifying the costs of recreation services.

Knowing the true costs of a service is a necessary ingredient to evaluating alternative methods of providing that service -- whether it be through competitive contracting, regionalization or through a reorganization of the municipal government or school district.

Identify and Apply Benchmarks

Once you know who you are serving, what you are providing, how it is being paid for, and what it costs, you are ready to analyze and conclude whether you are doing well or whether there is a better way to do it. One of the popular terms for this process today is benchmarking.

“Benchmarking is the search for the best practices that lead to superior...services. It is an extremely powerful process for improving performance. In its simplest form, benchmarking involves a comparison of performance across organizations to measure individual achievements and identify methods to improve performance.”¹

One of the goals of the LGBR process is to accumulate data that will depict conditions as they exist in the communities being reviewed. Appendices A and B in this report summarize, in a general way, the recommendations to date. Appendices C and D provide data to facilitate comparisons of communities and school districts. “Seeing how the best do it, or what the best cost or outcome is, provides government entities with a replacement for the market pressures that drive improvements in a competitive market.”²

Even with a significant difference between communities’ characteristics, an issue may be similar and thus the solution may be similar. The degree of impact is frequently different for each community, but identifying and defining a service level for all residents needs to be undertaken and the solution -- whether it is to decrease the number of garbage pickups per week or to discontinue a drivers education program -- can apply to any size community.

Data already exists and is available from National Associations and from State agencies -- examples include: The Uniform Crime Report; New Jersey Department of Education Report Cards; The New Jersey State Library’s Annual Statistical Analysis; and The New Jersey School Boards Association Cost of Education Index which is available on that Association’s electronic bulletin board.

These same associations and agencies can also provide information and/or a framework based on a national or statewide database. Two police related examples are the accreditation program established by the Commission on Accreditation for Law Enforcement Agencies, Inc. and the New Jersey State Law Enforcement Standards distributed by the State’s Division on Criminal Justice.

Identify Overlap and Competition

Once the data has been collected and decisions made about the type and level of service desired, an agency should identify other entities that provide the service. Questions to ask include: Does the County provide the service? Does your larger or smaller neighbor provide the service? Is it something normally offered as a product in the private sector? Does another agency in your town do it better? The answers to these questions result in a set of alternatives to be evaluated.

¹ Gay, William G. and Kai Martensen, *Benchmarking: A Method for Achieving Superior Performance in Law Enforcement Services*, Public Management Group, May 1994, p. 1.

² *Ibid.*, p.1

Regionalization

With 567 municipalities in New Jersey, there are many for whom independently providing a service is not cost effective. Regionalization through interlocal agreements is one logical alternative. Regionalized services are beneficial to the host agency as it enables them to spread their fixed, administrative costs over a larger base; it is beneficial to receiving agencies because they may obtain a service at a cost significantly below the cost of providing the service themselves.

There are two municipal reports in which regionalization alternatives were recommended and the municipalities actively reviewed, debated and evaluated the alternatives. The success of the LGBR program lies in the fact that the issues were debated and that participants actively reviewed a creative alternative. In most cases the central objection to regionalization is the perceived loss of local control and responsiveness.

Willingboro was faced with a cramped library in an overcrowded municipal building and was committed, and yet struggling, to provide excellent service. The LGBR Team recommended that Willingboro consider joining the County Library System. The savings to be realized from joining the library system was \$568,442. This was the difference between the municipal tax revenues supporting their library and the County library tax combined with the fees currently paid by Willingboro residents to join the County system. The Team also recommended that Willingboro maintain a separate branch library and that a vacant school building be deeded over for that purpose. The savings to be realized through this alternative were less but still significant.

In Lakewood, the estimated savings from contracting with Ocean County for Uniform Construction Code inspections was \$213,549. In this case, the issues included the ability of the County to deliver the service, the comparative quality of the service, and the cost to the applicant and taxpayer.

Small communities such as Bradley Beach, Jamesburg and Downe already benefit from sending their high school students to regional or neighboring high schools. In these communities, the Teams recommended further regionalization of their school services.

In the Atlantic City Board of Education report it was suggested that Bilingual and ESL programs be regionalized on a county-wide basis establishing regional bilingual classes in the sending districts as well as in Atlantic City. This way particular services could be located closest to the highest concentration of the target population and savings could be achieved through reduced transportation costs.

Downe Township has already been discussed as a small community that identified a specialized service, offers it to other small communities and thus spreads its costs over a much larger population and geographic area.

Shared Services

Sharing of services between municipal governments, school districts and authorities in the same community is another effective means of increasing productivity. Areas commonly identified for

this practice include: Purchasing; public works functions such as grounds maintenance and snow removal; and automation among others.

In many municipalities and school districts, shared administrative functions are recommended as they are potentially critical to the continued financial viability of separate New Jersey school systems and local governments.

In Downe Township, the recommendation that the school district provide health insurance for the municipal employees was implemented and saved the municipality more than \$10,000. In the same community, it was recommended that the school business office take on the responsibility for many municipal business functions including the investment of idle funds. This would allow for the professional management of both functions and improve responsiveness and accountability.

In Lakewood, the purchasing process is automated and handled well at the municipal level. If the school district's purchasing were managed by the municipality, it would increase the productivity of the function as well as the purchasing dollar value by increasing the volume purchased. On the other hand, the Lakewood Board of Education has a safety compliance officer who handles many of the mandated regulatory functions such as Right to Know and PEOSHA compliance and reports to the safety compliance committee on a regular basis. The LGBR Team recommended that the safety compliance officer perform the same function for the Municipality in order to take full advantage of the individual's knowledge and begin to work to control the workers' compensation costs experienced by the municipality.

Competitive Contracting

Competitive contracting is an alternative to be considered as a governmental entity looks to improve the productivity of its tax dollar. The popular perception of this process and the actual process of competitively bidding, contracting and then effectively managing contract services are quite different. LGBR supports a competitive contracting process for many services that are normally provided in the private sector. The primary value of the competitive contracting process is to identify the market value of the work to be performed. The identity of the employer is inconsequential as long as the government focuses on the service to be provided, including quality and cost.

Competitive contracting in school districts has been routinely successful in food service; transportation; building maintenance; and security. Criticisms and/or failures occurred when the steps of defining the service, the costs, the revenue potential and alternatives were not taken properly. Difficulties have also occurred when the contract did not meet the established goals or a well developed contract was not enforced.

Lakewood Public Schools' success with contracting is noteworthy. Their food service has been operated by a private corporation since the 1970's. The price and cost per meal are among the lowest seen by LGBR to date and the private operator has taken the District from steady losses to an annual profit. The cumulative profit over the last five years is \$500,000 which will be used to renovate the middle school kitchen. The vendor has also enhanced services by providing

kindergarten snacks and breakfasts for students taking achievement tests. Competitively contracting food service was recommended for several school districts. This practice would net a potential annual savings in excess of one million dollars in the City of Passaic Public Schools.

In addition to producing significant cost savings, competitive contracting can result in other improvements. This was the Team's conclusion for custodial services in the Hamilton Township Schools. In Hamilton, there are 118 custodians for 23 schools and several other administrative facilities totaling 1,498,773 square feet. The facilities range in age from 18 to 89 years. The cost of custodial operation for the 1994-95 school year was \$4,826,059. This translates to a \$3.22 per square foot cost for custodial services. The Review Team found several factors in need of attention beyond the high cost per square foot for these services, including:

- Lack of evening shift supervision;
- inadequate preventive maintenance;
- dissatisfaction by school staff; and
- lack of training.

Using the data from existing competitively bid custodial contracts the highest cost per square foot during this time period was more than \$1.00 less and would have resulted in a cost savings of more than \$1.5 million. At the same time quality improvements such as appropriate supervision, preventive maintenance and training could be assured through provisions of the contract.

Jamesburg Schools experienced difficulty with contracting for services because of its small size. Regionalizing service delivery would enable them to counteract this issue and allow them to realize the benefits of competitive contracting.

Other municipal services that would benefit from the competitive contracting process include: Garbage collection; facilities maintenance; and health services. Competitively contracting various public works functions could have produced savings of \$340,000 in Kearny; \$452,219 in Lakewood and \$749,650 in Passaic.

Conclusion

Each of the aspects discussed above come together to provide information to help evaluate and select service alternatives and identify a means of improving the productivity of tax dollars expended. To be successful, communities must commit to the routine and regular examination of the characteristics of its services to ascertain where there has been improvement, where there can be more improvement or where different approaches need to be adopted. The rest of this report offers a discussion of the specifics of our findings as they relate to resources and functions.

GENERAL MANAGEMENT

Relationship Between Executive, Governing Body, and Manager

It is our observation that the local government entities that function the best, are those that have elected officials who are responsive to the public and operate within a well defined system. In the 22 studies conducted to date, we have observed eight different forms of municipal government, along with Type I, Type II, limited purpose and full K-12 school districts. It appears that the legally established structure is considerably less significant than the systems developed within the structure. The preferable system is one in which elected officials set and follow policies that reflect the public's desires while allowing Managers/Administrators and Superintendents/Board Secretaries the leeway needed to implement the policies in a constructive way. Productivity often falters when there is an absence of a strong executive, the elected officials become too involved in day to day decisions, or employees go directly to the elected officials for support instead of following the chain of command within the governmental structure.

Lakewood was commended by the review team for having a long history of stable professional management. The Team felt that this history was evident in the professional approach to management; the established system of accountability; and the Township's demonstrated ability to adapt to changing times. The Township Committee recently strengthened the authority of the Manager by delegating appointment powers to him. Removing hiring from the political process by that additional step will enhance the Manager's ability to recruit the staff most qualified for the operation.

The governing body is the last stop for assuring that contracts and other matters are handled in compliance with laws and regulations. In Passaic, there were several instances where professional service agreements, contracts and other expenditures had been approved by the City Council without the mandatory certification of funds by the Finance Officer. While it is the Finance Officer's responsibility to provide the certification, it is incumbent upon elected officials to assure that the actions they take comply with state laws.

In schools, the issues are very similar. The stability and progress of a school district depends on the Board's ability to select and commit to a professional staff and allow them to run the organization within established policy parameters.

Organization/Span of Control

Reorganization of service units and personnel cuts through attrition have been recommended in all of the LGBR reports published. To date, LGBR Teams have recommended \$3.3 million in potential savings through school staff reductions. This amount represents almost 16% of the

total dollar savings. For example, significant savings could be achieved by reducing the administrative staff of Atlantic City Public Schools. According to the New Jersey Department of Education Comparative Spending Guide, only two of the 81 K-12 School Districts with enrollments greater than 3,500 spent more per pupil on administration. To further evaluate Atlantic City Schools' administrative expenditures, the team looked at two school districts with similar characteristics -- Perth Amboy and Plainfield. The greatest discrepancy between expenditures by the three school districts was in administration where Atlantic City expenditures were twice that of Plainfield and three times that of Perth Amboy. By comparing Atlantic City's organization to that of similar school districts and by developing an organization that had a more appropriate span of control for each supervisor, the team identified more than 20 administrative positions to be reviewed and a potential savings of \$1.6 million. This would bring administrative costs down to an amount similar to the benchmark communities.

Uniformed services is an area where, because of a variety of events including early retirements and decreases in overall staffing, the ratio of superior officers to line personnel has increased significantly. In Atlantic City there were two fire fighters for each superior officer. The average superior officer's salary was \$94,727. The team recommended that a reorganization be developed and implemented as attrition allowed. The proposed reorganization changed the ratio of all superior officers to all firefighters to 1:3 and resulted in an average officer's salary of \$84,618. Total projected cash savings were estimated at \$1,726,818 from a total reduction of 11 positions. A significant portion of the savings was realized from shifting the positions to create an appropriate span of control.

The delivery of a service, defined explicitly as to scope and level, should drive the structure of the organization delivering that service. It follows that the organization should change as demand changes. Some of the characteristics of local government, including Civil Service and political interests, cause local government organizations to be slow to respond to these service demand changes.

Lakewood had an unusual situation in which a newspaper gave away thousands of small parcels of land with subscriptions in the 1920's. The Township addressed the issue of the resulting abandoned, tax delinquent, postage stamp-sized properties by foreclosing on them to consolidate property for the purpose of development. When the process began it was time consuming and resulted in the establishment of a separate office with clerical staff and a contracted foreclosure attorney. At the time of the review, activity was significantly reduced and thus the Team recommended closing the foreclosure office and incorporating the clerical aspects of the function into the Clerk's office. The Township Attorney could assume responsibility for the legal work related to foreclosures. This action would save Lakewood almost \$40,000 in salary costs alone.

Camden City's Attorney's office is an example of a staff organization that appears to be cost effective. The City Attorney's Office is responsible for providing legal services for the City of Camden. The office includes 11 attorneys and nine support personnel. The organization's responsibilities include: Delinquent tax collections; foreclosures; tax appeals; bankruptcies; litigation; workers compensation claims; and personal injury claims. There were 70 third party personal injury cases filed against Camden in FY 1995 and 70 cases were disposed of during the

same year. Forty cases were settled and 30 were dismissed. The litigation expenses were \$684,271 averaging \$9,775 per case. LGBR compared the expenses borne in 1989 -- the last year that a private insurance firm handled personal injury cases -- to the FY 95 expenses. The premium for full coverage was \$2.3 million or \$11,711 per case and payments were made on every case as compared to 57% of the cases handled in-house in FY 95.

Policies and Procedures

Specific policies and procedures that are reviewed and updated on a regular basis are critical to the smooth operation of any organization; especially a government entity. Policies state what is expected and what will be delivered; they are integral to defining a service and the responsibility of an employee. We have found that it is not unusual for the development of written policies to be left for a rainy day when there is nothing else left to do -- a situation which we will acknowledge rarely occurs in local government.

LGBR's view of policies is stated in the Downe Township report: "An organization adopts policies and procedures for the purpose of establishing quality management and control practices. When it chooses to ignore its own directives and rewrite procedures at will, it leaves itself open to criticism."

Policies provide a framework for accountability. Ventnor Schools provide a good example of the appropriate development, communication and enforcement of a disciplinary policy in a school. The policy is clearly stated, posted in each classroom and in the hallways and consistently referred to by staff, teachers and administrators. The observed result was a school with a high degree of discipline and the safe and orderly movement of children between classes and around the campus. The policy makes children, teachers and staff accountable for their actions by explicitly stating what is expected.

In the Atlantic City report, the Team recommended that the administration ensure that the payment of wages and documentation of compensable time accurately reflect the actual performance of the staff. This recommendation was based on a discrepancy between time cards and payroll sheets for public works employees which, over an eight week period indicated that \$275,380 in wages were paid for hours not worked. Annualized, this amount would be close to \$1.7 million. The explanation given was that a roll call is used to determine attendance for payroll purposes. The Team recommended a clarification of the policy and enforcement of work hours with a policy statement requiring that the time clock be the basis for pay.

Policies define the services to be delivered. As the cost of services increase, the policies that define the services should be reviewed. In Ventnor, a change in the location of the High School led to increased transportation costs for its students. To compensate for this increased expense, the Team recommended that the Board of Education reevaluate its policy regarding transportation of students to only provide transportation where there is a safety issue such as the absence of traffic lights or sidewalks.

The absence of a clear policy can have a negative impact on employee behavior. The City of Passaic had police officers that treated police vehicles like they were disposable -- crashing them into each other and driving over curbs in order to get out of a parking space. A policy statement regarding an employee's responsibility for a vehicle, followed by disciplinary action if that expectation was not met, would -- at minimum -- improve the appearance and most likely the longevity of the Passaic police vehicles.

In both Jamesburg Borough and Schools there are no written personnel policies. If matters are not explicitly covered in the union contract, employees follow generally accepted practices or simply define their own policy. To quote the Jamesburg Board of Education LGBR Report, "without a clear definition of policies, benefits and procedures, the organization lacks the structure necessary to manage employee related issues. Operating this way could leave the Board open to legal challenges and noncompliance with laws relating to ADA, sexual harassment, State and Federal family leave acts, etc."

Having documented policies is only the first step; then effectively communicating and enforcing them is necessary for a beneficial impact. In Downe Township the personnel policy and procedure manual required that time sheets be maintained by each department head. In practice, the Township only required time records from persons working as hourly employees. The Team recommended the use of uniform time sheets reviewed by appropriate personnel prior to the initiation of any disbursements.

In Atlantic City Public Schools, the hiring practices did not follow either written Board of Education policies or universally accepted practices. This resulted in the hiring of individuals who were not qualified, experienced or certified and whose credentials did not match the requirements stated in the job description.

Once policies and procedures are in place, systems and processes which maintain accountability and assure delivery of the defined services should be established.

Systems and Processes

Clearly documented policies and procedures combined with an organizational structure designed to provide the desired level and quality of service should result in systems or processes that successfully and cost effectively provide services. If that structure does not exist, the result is a lack of accountability that, in some cases, can lead to over expenditures and other serious governmental infractions.

Purchasing is frequently an area where the process takes on a life of its own and results in the alienation of both the user of a commodity and the vendor providing it. If the process takes too long, the employee does not receive the item when needed and then the vendor doesn't get paid for it in a timely manner. When a system is ill-defined, it can lead to a complete loss of financial accountability. All aspects of this issue were apparent in Camden City where LGBR and the

Purchasing Agent worked together to document the purchasing process. Issues identified in the purchasing process included:

- The process was complicated and paper intensive;
- departments ordered supplies and services at will without regard to procedures;
- there was no requirement for verification of receipt of the goods; and
- the Purchasing Agent was not involved in the control or selection of vendors.

The Team's recommendations covered all aspects of the purchasing process from the organizational role of the Purchasing Agent, to the need for a high quality automated system, to the development of a plan and schedule for acquisitions.

Systems and processes can deter progress unnecessarily when they are added on top of, rather than woven into, existing systems. In Keansburg, the net valuation taxable decreased by \$11 million, or 3%, from 1991 to 1993. Given this decline, it was in the interest of the Borough to operate in a way that would encourage redevelopment and protect the tax base. Keansburg had the opportunity to provide for significant rehabilitation of its housing stock through a "Mt. Laurel" regional contribution agreement with Holmdel Township. This rehabilitation program was added to, rather than incorporated into existing systems and procedures for code enforcement and the award of contracts. The LGBR Team identified several opportunities to improve the system and enable the program to meet its goals more quickly and more efficiently. They included:

- Eliminating redundant inspections -- both the Program Manager and the Construction Code enforcement staff inspect the property.
- Eliminating redundant Council review of the cost estimate. They also had a requirement to approve the project when the bid is to be awarded by contract.
- Eliminating or modifying limitations on the number of projects a contractor may take on. This limit on number of projects may artificially delay the process and reduce productivity.

If the appropriate systems are not in place and operating in a timely manner, financial losses can occur. Lakewood's Municipal Welfare Department was not utilizing the State information system that matches employment income against General Assistance payments in a timely manner in order to recoup inappropriate payments. LGBR recommended that the Welfare Department develop a clear workable process to use available data in order to recoup these State funds.

The repetition or timing of processes can have an impact on costs. An excellent example which the LGBR Teams have found more frequently than one would expect is the preparation of payroll on a weekly basis. A biweekly payroll is certainly appropriate and by cutting the repetition of the process in half it can save anywhere from 25 to 50% of the time expended on the process by the staff.

In Jamesburg Public Schools, LGBR saw an example where several policies and practices fit together to create a system which was exemplary in its protection and support of children with special education needs. The pieces of the system which are coordinated through excellent communication and oversight by the Principal are:

- Resource Teacher/Kindergarten Team Teaching. The Resource room Teacher and the Kindergarten Teacher team teach for one hour a day -- this accomplishes both early intervention and early identification of children with learning disabilities.
- Pupil Assistance Committee (PAC): Using a structured outcome oriented meeting format, the committee is successful in identifying and intervening on behalf of children that are showing signs of difficulty.
- Individual aides are provided to two students who otherwise would be required to be sent out of district.

A municipal example of a system failed was found in the City of Passaic where the Municipal Court System was mired in backlogged cases. The system for handling the tickets failed on all fronts:

- The staff was not meeting the Administrative Office of the Court (AOC) norm of processing 300 tickets per day.
- Procedures had not been developed for closing out every type of ticket.
- Support available from the AOC had not been accessed.
- The Court's relationship with the Police Department needed to be defined and improved.
- The work schedule did not take full advantage of the number of employees to cover the Court hours that needed to be covered.

Insurance

In the first Local Government Budget Review Report, the Team observed that the determination of insurance requirements and the means to obtain the required coverage have become one of the biggest opportunities for local governments to control a major cost in the annual budget.

For general liability, property and workers' compensation insurance, property and workers' compensation insurance, LGBR routinely supports and commends as a best practice, participation in a Joint Insurance Fund (JIF). The success of JIFs in New Jersey provides an excellent example of the value of a regionalized approach to a service. Most New Jersey Counties have JIFs. They appear to be well run; provide municipalities with a framework for limiting their own risk; and are less costly because they allow municipalities to spread risk over a larger population.

Coverage Management

It was not unusual for municipalities and school districts alike to include on their property inventory, property they no longer owned or vehicles that were off the road. In the Town of Kearny, the Team recommended that a comprehensive review of the total insurance program be conducted. This recommendation was driven by findings that included:

- Basic insurance documents were not available in town offices;
- collision and comprehensive automobile coverage may have been excessive for the age and condition of vehicles; and
- the third party claims administrator had not been selected on a competitive basis and was continuing to provide services without a contract.

Risk Management

High loss experience drives up premium costs whether the insurer is a company or a JIF. The Borough of Jamesburg is a member of the Middlesex County Joint Insurance Fund. The JIF's assessment to the Borough is approximately \$64,000 annually. The cost of this premium is impacted by its workers' compensation claims, 100% of which are from rescue squad volunteers. In the Jamesburg report, the Team recommended that Jamesburg Borough take advantage of the risk management services available through the JIF to address the losses experienced by the rescue squad. Risk management should include but not be limited to, routinely checking drivers' abstracts, inspecting facilities and reviewing practices for safety hazards.

MIS, Data, Automation

An effective local government entity requires an automation system that is designed to meet the agency's specific needs by providing the evaluative information described in the first section and supporting the policies, procedures and systems discussed above. For this to exist, it must be based on a plan that is the product of input from the people who will use it and a plan that is reviewed and updated on a regular basis. Successful operation of the system depends on having knowledgeable technical staff available to oversee it and providing training to all individuals that use it.

Each school district and municipality reviewed has been at a different place in terms of automation and the use of a Management information system.

Camden City provides an example of a community that has not made progress because of the ad-hoc manner in which automation and technology have been implemented. The Team found that although some individuals have been successful in improving administrative methods within their own units, the City as a whole loses because the individual actions are not leveraged to optimize productivity. The lack of a plan has resulted in incompatible equipment and software, uneven distribution of equipment, the inability to share information between functions, a lack of properly trained staff and inappropriate technical support. There are at least five CPUs, three LANs and approximately 138 stand alone personal computers. Nine different staff members have responsibility for some aspect of automation and technology.

The team recommended that Camden:

- Establish a central computer facility with appropriate environmental conditioning and mechanisms in place for regular backup and disaster recovery.
- Review and consolidate as many maintenance contracts as possible;
- form an Information Technology Steering Committee to set priorities and develop strategies, policies and guidelines. This Committee should be supported by a technical staff that will be responsible for managing, developing and coordinating the use of technology by the City; and
- establish a budget for all information technology expenditures so that the greatest advantage may be gained by the volume of purchases made by the City.

Camden's situation is fairly typical of the larger organizations we reviewed. At the other end of the spectrum are small municipalities like the Borough of Jamesburg where the MIS-related recommendation was that the Finance Officer be provided a single separate personal computer.

Once a planning process and plan are in place, actually purchasing a system is filled with pitfalls that many of the reviewed entities have experienced. Competitively bidding the installation of a system is the best way to get the best price in what is a very competitive market. The speed with which technology changes means that during the period between the decision and the installation of a system, the technology has already been improved and the system is on its way to obsolescence. This fact requires that governments commit to the best technology available at the time and carefully consider the period over which it will fund the purchase of a computer system.

Staffing of the technology function is another area where school districts and municipalities should cooperate to ensure the best technical expertise and productivity of that individual. In Lakewood, the school district had an employee who was experienced and knowledgeable and could have provided the technical support that was not readily available in the municipality. The value of the school district and municipality working together was clear.

Improved use of automation systems as described above, is routinely recommended by LGBR Teams as a means of improving productivity and accountability in finance, purchasing, code enforcement, vehicle maintenance, student data, and a variety of other areas.

FINANCIAL MANAGEMENT

Local governmental entities are entrusted with the responsibility of collecting and expending tax dollars collected from local property owners. Successful financial management assures that only the necessary property taxes are raised; that the expenditure and collection of revenues is such that it is consistent with the policy established by elected officials; that all revenues are optimized; and that revenues are handled in an ethical manner that will optimize the potential return.

Cash Collections

The collection of monies from the public by local governments is governed by strict rules including the deposit of such monies within 48 hours. To assure the security of the monies collected there needs to exist a separation of duties as well as a clear and discernible chain of custody and process for depositing the money within the statutory time frame. It is the responsibility of the local entity to assure that it has established procedures to protect the revenue collected.

In Atlantic City, progress has been made in responding to audit comments regarding cash handling. There is an automated system that, when used properly, assures an accurate record. There has also been some progress in reducing the number of places where cash is collected. The Team recommended that the collection of nontax revenue be consolidated in the Office of the Cashier and streamlined. The automated system currently used in the municipal building should be provided for processing of remote collections at the Municipal Court, police records and the tow lot. In 1994, the tow lot collected approximately \$357,698 in fees at its site without benefit of the automated system.

Maximizing Revenues

Tax Assessments

Keeping tax assessment records up to date is important to stabilizing a government's tax base. Maintaining a strong economic base is important to the fiscal well being of a municipality.

Payments in Lieu of Taxes (PILOT): It is appropriate that PILOT payments be collected where possible and to the extent possible. Public Housing Authorities are an excellent example of an entity that is subject to a PILOT payment and yet frequently does not make the appropriate payment. In Jamesburg, collecting delinquent PILOT payments would have netted an additional \$8,400 -- approximately one half of a tax point.

Tax Abatements: As part of a comprehensive effort to maintain a stable tax base and encourage development, Lakewood has a substantial tax abatement program. From 1992 to 1994 the total

unrealized revenue from the abatements rose by 119% from \$36,513 to \$79,893. The Team recommended that the abatement program be reviewed periodically to ensure that the benefits of the program justify the cost in tax revenues.

In Kearny, the Team recommended that a five year abatement on home improvements be reconsidered because it did not appear to be generating significant improvements and there was no provision to prevent a tax appeal once the abatement period was complete.

Tax Appeals: Tax appeals can have a significant impact on municipal revenue collection. It is important that municipalities with ongoing appeals, budget for the estimated cost of the appeals based on properties currently under appeal and amounts disbursed during previous years. In Kearny, the Team recommended that the Council and the Assessor meet in executive session on a regularly scheduled basis for the purpose of reviewing the assessed valuation of the Town and the status of major pending appeals that could have a significant impact on the tax rate.

Tax Collection

The average state tax collection rate is 95%. Of the 12 municipalities reviewed for this purpose, only Willingboro and Bloomfield experienced collection rates greater than 95%. The difference between the collection rate and the State average produced an average loss of tax revenues in excess of \$700,000 and a median loss approaching \$500,000 in the other ten communities. If each of the ten communities had a collection rate of 95%, the property tax levy could have been reduced by an estimated \$7.2 million. Table 3 which appears on the following page, provides a summary of the LGBR findings regarding tax collection, reserve for uncollected taxes and their budget impacts.

The impact of low tax collection rates is heightened by the fact that the municipal tax rate must make up for noncollection of the County and School taxes. In the Borough of Keansburg, the reserve requirement was \$1,419,312 in 1994. This translates to \$.42 per \$100 of property value more than would be required if everyone paid their taxes.

Methods of addressing low collection rates are to:

- Identify all delinquent accounts after the first payment date and contact the property owner by telephone and letter;
- ensure the maximum penalties and interest rates have been authorized by ordinance -- current maximums are 18% on all amounts over \$1,500;
- have the governing body enact an ordinance authorizing an additional 6% penalty on all accounts delinquent by more than \$10,000; attach rents on all eligible properties; and
- revoke licenses held by individuals or businesses that are not current on their tax accounts.

Each of these tools is needed to obtain timely collection of property taxes. Governing bodies should require quarterly status reports from their tax collectors and work to address shortfalls as early as possible.

Table 3
Tax Collection and Revenue Impacts
Local Government Budget Review Communities

Municipality	Population 1990	Tax Revenues 1994		Reserve for Uncollected Taxes		Tax Collection		Delinquent Collection	Add'l Revenue from 95% Collection
		Total		Projected	Actual				
Atlantic City	37,986	\$164,225,644	\$9,164,170	94.29%	94.25%	61.26%	\$504,989		
Bloomfield	45,061	\$67,331,815	\$2,437,835	96.36%	96.15%	79.85%	(\$93,474)		
Bradley Beach	4,475	\$8,128,149	\$519,659	93.55%	93.71%	85.11%	\$530,422		
Camden	87,492	\$41,117,979	\$8,679,506	78.19%	80.09%	32.60%	\$245,634		
Downe	1,702	\$1,647,443	\$284,998	84.00%	84.18%	67.89%	\$660,813		
Jamesburg	5,300	\$6,107,330	\$575,476	93.98%	92.00%	84.01%	\$310,792		
Kearnsburg	11,069	\$10,359,730	\$1,428,503	86.30%	89.92%	64.72%	\$2,717,448		
Kearny	34,874	\$53,493,074	\$2,575,042	94.00%	93.99%	47.85%	\$486,618		
Lakewood	45,048	\$48,179,999	\$4,282,188	91.50%	94.54%	47.28%	\$247,149		
Passaic	58,041	\$53,728,048	\$5,357,739	89.90%	89.90%	79.46%	\$1,033,980		
Ventnor	11,044	\$20,274,126	\$1,369,520	93.30%	93.27%	93.19%	\$482,787		
Willingboro	36,291	\$27,906,745	\$1,588,400	95.25%	95.89%	94.34%	(\$4,472,251)		
Total	378,383	\$502,500,082	\$38,263,036				\$2,654,907		
Average	31,532	\$41,875,007	\$3,188,586	90.89%	91.49%	69.80%	\$221,242		
Median	22,972	\$24,090,435	\$1,508,452	92.40%	92.64%	73.68%	\$484,702		

Delinquent Taxes: One immediate benefit of improving the tax collection rate is decreasing the work related to delinquent tax collections. At the same time, following through on the process related to delinquent taxes provides an incentive for compliance to those who are delinquent. The governing body should clearly define policies regarding tax sales, foreclosures and property sales. Some of the actions LGBR recommends be included in such a policy are to:

- Require that the tax collector provide a written report at the end of each tax quarter detailing the status of current and delinquent taxes;
- conduct the annual tax lien sale at the earliest possible date;
- initiate the foreclosure process at the earliest possible date; and
- develop and implement a plan to return foreclosed property to private ownership.

Other Revenues

A key technique for reducing property taxes advocated by the LGBR Teams is using and optimizing fees and other revenues. In addition to the recommendations made earlier, it is important that a municipality identify and accurately project other revenues so that they can be used to reduce property taxes. In Downe Township, such estimates were not included as revenue in the budget. Recognition of recurring items of revenue such as municipal search revenues, cable franchise fees, PILOT payments, and Municipal Court fees, could have reduced the property tax levy by 10%.

In another example, the Atlantic City Library Budget did not include in its municipal budget estimate, more than \$100,000 in readily identifiable revenues from fines and State aid.

Grants

Every municipality is encouraged to identify grants that will defray the cost of operating its services as long as the grant is managed to cover all the costs and will not require the municipality to provide a new and costly service on its own once the grant period is over.

“Knowing the true costs” is especially critical to successful management of a grant. Acknowledging that grants are usually provided to accomplish a particular social policy, the local governmental unit must decide the degree to which it is willing to underwrite costs through matching funds or costs not covered by the grant program. Atlantic City has several examples of human services grants in which the true costs were consciously not covered -- most notably administrative and benefit costs. It is the LGBR Team’s recommendation that grant programs be selected, written and managed in a way that recognizes all costs.

Cost identification and recovery becomes even more important when a grant program is serving multiple local governments. Atlantic City and the New Jersey Department of Health are to be commended for their five county regional approach to the grant funded HIV Testing and Counseling program, which delivers services to Atlantic, Cape May, Cumberland, Gloucester and Salem Counties. The program is recognized as one of the best in the State. The estimated total cost of the program in 1995 was \$385,552, of which the State paid \$340,428. State funds did include compensation for 46.5% of the benefit costs. However, it is inappropriate for Atlantic City taxpayers to pay for any portion of services to any other local government. If State

monies cannot fund the entire cost then the other local governments benefiting from the service should pay user service fees to address the difference.

Another issue relative to grants management is assuring appropriate expenditure and reimbursement of grant funds. Camden City had \$3.5 million in grant receivables for capital improvements made. Camden's water utility had more than \$11 million in grant receivables and Camden's sewer authority had \$384,664 in outstanding receivables. The City's records led LGBR to conclude that the appropriate reports and paperwork had not been completed to close out the project. The age of some of the receivables may mean that they cannot collect all of the money. While this may be an extreme example, it nevertheless illustrates the point that diligent management, review, and close out of all grant funded programs is another means of assuring that local governments do not spend tax dollars unnecessarily.

Cash Management

A municipality can enhance revenues available to reduce reliance on property taxes by investing their money carefully while appropriately managing their cash flow.

Downe Township Board of Education and Atlantic City each have individuals who actively manage the cash flow and investments with positive results. Both entities produced income higher than that of the primary benchmark LGBR has chosen, the New Jersey Cash Management Fund. Emphasizing the expertise of these individuals, the Teams recommended that they work with their School or City counterpart to help further increase the return on those local entities' monies as well.

The Teams found that a conservative estimate of the savings to be realized through consolidating accounts; managing the cash flow; and at a minimum, utilizing the New Jersey Cash Management Fund in the municipalities and school districts studied was approximately \$1.25 million.

Closely related to the investment of cash is the way in which banking services are selected and utilized. Fees charged for banking services and the types of banking services available to local entities vary greatly. LGBR recommends that banking services be competitively solicited to ensure that the government is obtaining the highest possible return on the local tax dollar with no risk.

NJSA 40A:5-14 requires development of a cash management plan which is adopted by the governing body. In most of the communities reviewed, the CFO and the governing body had not developed the required annual cash management plan. LGBR's position is that this requirement needs to be taken seriously by municipalities in order to assure that the government is obtaining the highest possible return on the public's funds.

Representative of many of the circumstances found by LGBR, Passaic Public Schools maintained

34 different bank accounts, 13 of which had average daily balances in excess of \$30,000. The largest three accounts had average daily balances of more than \$3,000,000 and there were four accounts with average balances of between \$120,000 and \$360,000 that earned no interest. In light of this information, LGBR made the following recommendations:

- Competitively solicit banking services;
- consolidate school activity funds with subaccount control; restructure the payroll account to a zero balance subaccount returning the excess balance permanently to the District's fund balance;
- maximize interest income on the summer payroll account through investments in Certificates of Deposits or other legal investments with more favorable returns;
- analyze the past cash flow and remove excess from the bank account and invest it in an instrument with a higher yield;
- restructure the food service account which had average daily balances ranging from \$454,625 to \$1,101,656, to yield more than the 2% returned in FY 93-94; and
- utilize documented electronic transfers to make payments and adjust account balances.

Budget

The way in which a local budget is developed and managed can have significant impacts on the stability of the tax rate levied. A Budget Manager that matches appropriations to expenditures; uses one-time revenues for one-time costs; has the budget set up in a manner that enables all costs to be traced back to end products; projects the budgetary impacts of major programming or financing decisions; and takes into account all revenues and their intended use is certain to succeed. We found, through our review of budgets and budget practices, that there were several minor refinements that could be made that would improve the productivity and the stability of the property tax dollars.

Budget Controls

It was not unusual for Teams to find that line items were overexpended or that items were charged to an inappropriate line, thus avoiding a technical overexpenditure while obscuring the actual cost of a product or service. In the Atlantic City Public Library, 21 of 34 other expense (OE) line items were overexpended according to the budget presented to the municipality. The 1994 OE budget was \$496,000; the actual OE expenditures were \$838,389. The salary and debt service lines were overestimated so that the aggregate overexpenditure was \$164,142 or 7.2% of the total amount budgeted. This circumvention of the budget process is not uncommon in municipal libraries because the Library Board amends the budget and approves transfers throughout the year. LGBR advocates strong, service-oriented libraries that meet the needs of the community. Meeting this obligation includes the development of a budget that reflects, to the greatest degree possible, all anticipated expenditures and revenues.

Surplus/Appropriation Reserves

A March 1995 New Jersey Department of Education report stated that 536 of 606 school districts underestimated their surplus and 173 school districts had surpluses in excess of the 7.5%

statutory limit. Team experience in both Keansburg and Lakewood School Districts demonstrate the impact of significant variances from the budget estimates.

In the Keansburg School District review, LGBR found that between July 1990 and July 1994, the surplus grew by 139%. At the same time, support of the school budget from state aid and from property taxes also increased by 85% and 51% respectively. By 1995, Keansburg's undesignated surplus amounted to 9.4% of the general fund budget, an amount almost 2% over the statutory maximum and 6.4% over a generally accepted minimum reserve of 3%. The growth of the surplus can be attributed to two factors: The surplus was underestimated -- in the last year it was underestimated by almost 50% or \$930,476. The second factor was reliance on other revenues so that the operating expenses were met using operating revenues and using none of the surplus. If the District had maintained the legal or more conservative minimum reserve requirement and projected revenues more accurately, the taxes raised would have been decreased by 2% to 6% or \$416,300 to \$1,402,272.

This practice has a similar impact on entities with smaller budgets. The Jamesburg Borough School District estimated its surplus to be \$58,892 on June 30, 1994 when in fact it was \$159,143. The \$100,000 difference is the equivalent of eight tax points in Jamesburg.

On December 20, 1993, the Lakewood School District appropriated \$725,000 from the surplus to offset "predictable, current expenses" which included salaries and benefits after the budget was submitted to the voters. While this is both a legal and common practice, LGBR commented that this could be viewed as a planned circumvention of the budget process. We believe these after-the-vote appropriations undermine the budgetary controls that are needed to assure accountability on the part of the School District.

A significant municipal example of a large reserve was found in the City of Passaic Municipal Library. State law requires minimum Municipal Library funding of 1/3 of a mill. Per capita State aid increases as municipal support reaches higher proportions. In Passaic, the statutory minimum would have been approximately \$500,000 in 1994 and yet the City allocated \$1,150,000 to the library. At the same time, the library had ended the 1993 fiscal year with a \$407,317 unrestricted fund balance. The balance had grown by \$206,701 in calendar year 1993. By estimating revenues and expenditures more closely and by appropriating reserves, the library could have reduced property tax support of the library by a significant amount. Combined with other library-related cost savings measures, LGBR concluded that the City could have saved \$400,000 in property taxes.

Actual vs Projected Expenditures

Unanticipated surpluses result not only from an underestimation of revenues but also from an overestimation of expenditures. One area that needs constant scrutiny is the salary expense. It is quite ordinary for vacancies to occur and for individuals to take leave without pay. By looking at salary expenditure history; knowing what caused salary accruals in the past; and estimating the timing impact of salary increases; it is possible to more accurately project salaries. At the Atlantic City Municipal Library, it would have been possible to project savings from turnover of \$169,500 in 1994.

In summary, the municipal budget is a vital tool for planning and controlling expenditures. It is a system that must be set up to assure accountability and provide information over a period of time to improve planning and estimation of expenditures and revenues.

Debt

Debt is a tool to be used for long term investments in capital and infrastructure. The careful management of debt can be effective in limiting budget operating expenses. Commitment to debt must be preceded by a thorough analysis of its long term impact on expenditures. An example of what happens when debt is used for inappropriate purposes and is not analyzed for its long term impact is seen in New Jersey's recent experience with Fiscal Year Adjustment Bonds (FYABs).

Fiscal Year Adjustment Bonds (FYAB)

In 1991, legislation was passed authorizing municipalities to issue bonds to cover the operating costs of a six month period, allowing the municipality to change to a fiscal year consistent with the State's fiscal year. The rationale of proponents of the measure was that the inconsistency between the State fiscal year and the municipal calendar year forced municipalities to issue short term Tax Anticipation Notes (TANs) for both as yet uncollected property taxes and anticipated State aid. At this time, 50 municipalities have borrowed \$825,841,262 which will ultimately cost the taxpayers more than \$1.4 billion. Total costs include \$600 million in interest and \$15 million in other costs of issuance.

This use of borrowed funds to support current operations, not permitted under bond laws in existence since 1935, allowed the property taxes to be significantly understated in the transition years. At the same time the State allowed municipalities to borrow for current operations, the fiscal year change allowed the State to avoid State aid allocations to those communities for the transition year.

Just as the infusion of cash allowed municipalities to understate their property taxes during the transition period, the debt service on the bonds now inflates the property taxes in those communities. The average duration of the debt issued is 15 years with a third of the municipalities issuing debt for 20 years. Four of the eleven municipalities reviewed by LGBR Teams, issued FYABs. Table 4 shows the impact this debt will have on the reviewed municipalities.

Table 4: FYAB Impact Summary

FYAB Impact Summary LGBR Communities				
Municipality	Bond Amount	1990 Total Debt Service	1994-95 FYAB Debt Service	FYAB Service As % of 1990 Debt Service
Kearny	\$22,260,000	\$4,155,263	\$1,513,160	36%
Keansburg	\$3,170,000	\$417,213	\$300,122	72%
Camden	\$35,500,000	\$2,180,169	\$2,433,510	112%
Passaic	\$15,000,000	\$764,933	\$1,603,000	209%

PERSONNEL MANAGEMENT

Personnel comprises 46% of municipal costs and approaches 85% of school costs. A professional, centralized personnel function reporting to the Superintendent/Manager/Administrator is integral to an efficient, responsive local government organization. In Atlantic City, LGBR found a very costly example of what happens when the personnel function is not operating in a systematic manner with centralized control:

- Many employees were working "out of title" and receiving a stipend. Estimates were as high as 15% of the staff and at least \$200,000 in annual costs. With better control, it was estimated that the costs could be reduced by \$75,000.
- There was no analysis or review of overtime expenditures.
- Payroll reporting procedures varied from department to department.
- Health benefit enrollment data was maintained manually making it difficult to verify the accuracy of the rosters.
- There was no paper trail to verify that disciplinary actions were consistent and routinely recorded or implemented.

The LGBR report stated that "the amount of the Business Administrator's time being consumed by personnel functions detracts from his assigned responsibility to implement the actions of the Council and to provide direction and leadership to the entire staff."

To assure that municipalities hire appropriate and qualified individuals and perform the hiring function in an atmosphere sheltered from political influence, LGBR recommends that municipalities:

- Comply with civil service regulations and follow the procedures;
- post and advertise positions; and
- develop and follow specific screening procedures to assure that qualified individuals are hired.

In the Atlantic City School System, routine circumvention of certification rules and failure to observe appropriate screening processes resulted in the employment of individuals who did not meet the job requirements.

Compensation

Most compensation issues are governed by various labor contracts and it is LGBR's position that all contract conditions are subject to review and revision. The entire compensation package needs to be regularly examined in terms of comparability with other organizations.

Salaries

The "Cost Driver" analysis prepared by LGBR found that in the 12 municipalities studied, the average annual increase of all salary and wages was 6.64%, almost twice that of the cost of

living. The report also identified a significant difference in the rate of growth in salaries of specific municipal employee groups:

- Police 8.07%
- Fire/EMS 7.57%
- Other 5.13%

The New Jersey School Boards' Association March 1996 Negotiations Data Sourcebook documents a decrease in negotiated Teachers' salary increases over the past two years, while the total continues to exceed increases in the cost of living. The average settlement in January of 1993 for 1995-96 was 6.12%; the average settlement in December 1995 for 1995-96 was 4.2%.

It is not uncommon for Public Employees' contracts to include step increases, percentage increases and longevity payments all accruing to the same employee. This occurred in the Camden Schools Teachers and Administrators contracts. The three year contract settled with 5%, 5%, 4% increases -- producing 15.7625% over three years in addition to step increases and midguide longevity payments. Longevity payments were originally added to the end of the pay step guide to provide some additional compensation once the top of the salary guide had been reached. Through changes in the salary step guide, longevity payments were retained midguide at 10, 12, 15, and 18 years. The elimination of the midguide longevity is recommended. Percentage increases in the salary guide and continued progression along the stepguide result in disproportionate increases in salary. For example, under the Camden City contract, a Teacher who was at \$29,500 in his/her ninth year at the beginning of the contract would be at \$35,600 in his/her 11th year -- a 21% salary increase over a period of two years.

LGBR generally recommends negotiations to eliminate or restructure longevity payments. Our experience has shown that salary scales and contract percentage increases need to be examined together and managed in a way that provides sensible increases. If longevity payments are retained at the end of the salary guide, they should be paid in straight dollars; not as a percentage and not rolled into base salary.

Negotiating a more conservative compensation program is possible as demonstrated by Lakewood's most recent Teachers' contract which limited total salary increases from all component to 4.5% in each of three years and included increased health insurance deductibles and prescription copays. The Lakewood Board of education had removed longevity payments in a previous contract.

Health Benefits

The cost of medical care continues to rise at significant rates and thus it is in the Municipalities' and School Districts' interests to identify ways of limiting the impact of those increases on the annual budget. Some of the policies LGBR recommends are:

- Requiring copays or premium sharing programs to defray the impact of increased premiums;
- assuring that benefits programs offer less costly PPO or HMO alternatives;
- establishing benchmarks of service such as PPOs or similarly less expensive types of service and then requiring higher copays for higher levels of coverage; and
- covering only employees that work full time and have no alternate coverage.

A review of the Hamilton Schools showed that a 20% conversion to the less costly HMO would generate savings of \$279,000.

The Lakewood School District has been recognized for balancing concern for the cost of benefits with the need to compensate its employees in an equitable manner. Specifically, the School District:

- Reduced duplication of health insurance coverage by providing family coverage for one spouse and paying the copay and deductibles when a second spouse works in the District. The net savings to the District was \$40,000 in the 1993-94 school year.
- Provided single coverage to teachers until they reach tenure and then become eligible for family coverage.
- Rebid major medical coverage -- the terminal liability payout was reduced by \$300,000 the last time the contract was bid.

Education Incentives

It is in the best interest of all segments of local government to encourage educational achievement among its employees. In a fashion similar to longevity programs, education incentives have been piled on top of each other to produce costs that are not commensurate with their theoretic value.

The best example of this was seen in Atlantic City. There are two different systems -- one for uniformed personnel and one for other employees. Based on the number of credits earned, a uniformed officer is eligible for an annual pay adjustment of 2 to 10 %. Because it is a percent and not a dollar amount, the incentive is compounded every time they receive an increase in pay. The average education incentive for Fire Fighters was more than \$3,000 and for Police Officers was \$2,913. Looking at the actual history of one specific Police Officer with 28 years of service, he was paid a total of \$69,263 in education incentives over the preceding 22 years with payments increasing from \$211 in 1974 to \$8,765 in 1995. The inequity between contracts is glaring when you apply the provisions of Atlantic City's civilian supervisors contract to the same employee -- the Civilian Supervisor would have received a grand total of \$750. A more predictable and manageable approach to education incentives for all employees provides a level of tuition reimbursement and a one time stipend for completion of a degree.

Sick Leave Payout

The liability an accumulated sick leave payout represents can be staggering. In the 1993-94 school year, Lakewood School District's liability was \$2.5 million. This liability was reduced by decreasing the payout from 50 to 30% of the sick days at a rate that averaged the preceding three years' salary. The Keansburg Board of Education paid its last departing Superintendent in excess of \$300,000 for unused sick leave. Local contracts and employment provisions notwithstanding, there is nothing in the Federal Fair Labor Standards Act wage and opinion letters stipulating that an individual is entitled to compensation for unused sick leave. LGBR recommended that the Keansburg Board of Education incorporate into policies and contracts a policy consistent with the State practice of paying employees for 50% of their sick days at a rate which is the average of the last three years' salaries and which is capped at \$15,000.

Work Rules

The establishment and enforcement of work rules that are realistic and similar to the private sector norm saves the taxpayers' money and has a significant impact on those taxpayers' willingness to pay for municipal services. These work rules must be specified through written policies and enforced through consistent disciplinary action.

Work Hours

In at least four of the 10 municipalities, LGBR found cause to comment on the work schedule being observed either by the entire work force or individual departments. Some of the recommendations were:

- All municipal employees should work 35-40 hours per week, a schedule of 30 or 32.5 hours is surprisingly common.
- There should be a consistent and enforced time keeping policy in every functional division.
- Municipal staff should work posted and predictable hours that are convenient to the public.
- Sick, vacation and personal time should be maintained by hours, not days.

In Keansburg, Borough Hall employees work a 30 hour week and receive compensation equal to or better than their counterparts in the geographic area. The difference between their schedule and a 35 hour work week is 3,120 hours or the equivalent of almost two full time positions. The shorter work day also means that these employees are available to the public an hour less each day increasing the inconvenience of doing business with the Borough.

In both Atlantic City and Camden, the employees of some departments routinely worked less than a full day. The quantifiable cost of this practice was \$132,745 in one office in Camden and a projected \$1.7 million annually in the Public Works Department of Atlantic City.

Uniformed personnel often work creative schedules which are useful in improving productivity. However, when schedule changes are made, negotiators frequently overlook the impact on sick, vacation and personal time. LGBR recommends that new contracts ensure that schedule changes do not result in additional time off.

Sick Leave

Atlantic City Public Schools experience a 3.33% absenteeism rate with teachers averaging six days absent per school year. The cost of teacher absences is \$742,816 in lost productivity plus the \$265,500 expense of paying substitutes. The institution of a staff attendance improvement plan which reduced average sick leave by one day would:

- Equal \$44,232 in savings from reduced substitute salaries;
- amount to productivity savings of more than \$120,000; and
- drop the absentee rate to 2.7%.

The Atlantic City Schools custodians average 10 sick days per year with 395 of the absences falling on Mondays or Fridays. The custodial absenteeism costs the school district \$117,000 per year in custodial overtime and \$105,000 in custodial substitutes.

In municipalities, sick leave abuse comes in many forms. The cost of sick leave is driven by the need to hire more people to work or to pay overtime to cover for the absences.

In Passaic, the average DPW employee used 12.34 of the 15 sick days allotted annually. A two day reduction in this average would equal one additional employee for the Department.

To avoid sick leave abuse and overuse, each municipality should develop a clear statement regarding appropriate use of sick leave, the definition of abuse and the specific disciplinary action to be taken in the event of an infraction. The policy then must be consistently and explicitly enforced.

Vacation Leave

LGBR recommends two policies that address practices that have adverse fiscal impacts on local governments:

- To control both the productivity and the accrued liability impact of vacation leave, municipalities are encouraged to enact a policy that limits vacation carryover to one year or less without express permission from the Business Administrator.
- Departments are encouraged to establish a specific written policy governing the maximum number of people on vacation during a particular shift. Atlantic City Fire Department was able to eliminate overtime arising from scheduled vacations by implementing an appropriate policy.

In Keansburg Borough, Police Officers are not limited in the amount of vacation time they can carry over. If the Police Department observed the same policy as the rest of the Borough, the Borough would improve productivity by 264 days or \$52,110.

Overtime

Public Works, Fire and Police frequently incur large expenses for overtime. The causes of this overtime include loose management of sick and vacation time, work practices that build in structured overtime, as well as elaborate schemes designed to enhance the income of individuals in the Department.

After tightening up the sick and vacation leave policies and establishing a protocol for identifying and authorizing overtime, the next step is to look at the overtime history and identify trends that may be changed through modification or reallocation of resources.

Passaic, like most cities, is obligated to respond to sewer line complaints 24 hours a day seven days per week. The contract provides a minimum of four hours' overtime to an employee each time he is called out. Looking at a four month period, there is a "statistically improbable" number of calls four hours apart; many of the calls showed the same address; and frequently two employees responded instead of the one employee assigned that work. At least 441 of the 2,206 overtime hours reviewed were questionable. The Team concluded that if 80% of the excess overtime were eliminated, Passaic would save \$32,295.

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CAPITAL RESOURCE MANAGEMENT

Real Estate

To begin to actively manage real estate and facility resources in a manner that minimizes costs and maximizes use, a municipality needs to know:

- Property owned.
- Use of property.
- Condition of property.
- Cost of maintaining the property.

Inventory of Assets

It was not unusual to find that a municipality did not maintain a fixed asset accounting system in accordance with the New Jersey Department of Community Affairs (DCA) Division of Local Government Services' directive No. 85-2 and when they did, the systems were often out-of-date or inaccurate. In Camden, it was recommended that a consultant be hired to develop a list and then systems be established to assure that transactions would be recorded systematically.

Identification and Disposal of Surplus Property

Once a municipality has identified the property it owns, it needs to evaluate the productivity of its use. Minimizing the amount of property owned by municipalities and Boards of Education produces these savings:

- Reduced operating costs.
- Increased taxable property and thus increased operating revenue.
- Revenue from sales.
- Use of the property which could enhance property value in the neighborhood.

LGBR has recommended the sale of municipal and school property on numerous occasions. Highlights include:

- Hamilton Township School District: Close two of the 17 elementary schools and redistrict to equalize the size and improve the cost efficiency of the administrative staff required in each school. The operating cost savings would approach \$500,000. Cost avoidance for repair and compliance renovations to the 80 and 70 year old buildings would be \$1.3 million.
- Bradley Beach: Dispose of the Evergreen Avenue property to produce a one-time revenue of \$80,000 with the added benefit of making the property available for development.
- Atlantic City Schools: Sell or lease the old high school which has been left to deteriorate since it was vacated. The estimated sale price of this property along with the Central Junior High and administrative buildings is \$10 million.

Operating Costs

Once a municipality commits to a facility that it will continue to operate, the challenge is to reduce operating costs. Before the costs can be reduced, a municipality must have a clear understanding of the costs involved in operating the building. The costs include but are not limited to utilities; maintenance and cleaning; security; and insurance. Insurance costs can be reduced by maintaining an accurate listing of fixed assets, and by coordinating and competitively bidding the insurance coverage.

Two areas where significant cost savings have been realized which could be logical areas for cooperation between the school district and the municipality are competitive contracting for maintenance of buildings and increasing the energy efficiency of buildings.

Competitive Contracting of Maintenance and Custodial Services: LGBR routinely recommends an examination of competitive contracting as an alternative means of providing maintenance because it is a service that is provided in the private sector and can produce significant savings. Lakewood School District realized a four year cost savings of \$3.76 million by competitively contracting for custodial and building maintenance. In addition, the condition of the buildings was greatly enhanced by the preventive maintenance and other projects that were included in the contract. Few local officials could identify the cost per square foot of maintaining their facilities. In fact, few could identify the square footage of those facilities.

Energy Efficiency: Local governments in New Jersey spend a total of \$330 million per year on electricity. If all local governments in New Jersey improved their electrical efficiency (as in a few of the municipalities LGBR reviewed), and saved a modest 10%, the savings to taxpayers would be \$33 million. The maintenance contractor at Lakewood schools performed energy audits and recommended major lighting and HVAC renovations. The contract for the renovations guaranteed that the energy cost savings would cover the costs of the renovations over a seven year pay out period.

Similarly, in the Hamilton Township School District, the "Green Light" program was projected to save the district 40% of its energy costs or \$400,000, with the cost of converting the lighting paid out of the savings. Additional benefits included reducing the number of bulb varieties from 80 to six and improving the quality of the lighting.

Any municipality or School District that has not had an energy audit performed is encouraged to do so and to consider the programs offered by utilities to improve efficiency. However, a cautious approach is wise. Currently, uniform standards do not exist for energy audits and improvement plans and are not expected in the near future. New Jersey's Department of the Treasury, General Services Administration (GSA) and the Department of Community Affairs (DCA) have been working with vendors who complete electrical energy audits and improvement plans to develop uniform contracting standards. Appendix E lists contacts for further information.

Vehicles

LGBR Teams have found that services and functions related to vehicles are often fragmented and duplicative. We have consistently uncovered conditions in which vehicles could be pooled and their use coordinated in an improved manner. The assignment of a vehicle to an individual should occur only when that individual is called out to sites. The consistent maintenance of a log of vehicle use would enable the municipality to evaluate vehicle assignments. At the same time, when reimbursement for personal use of a car occurs, tracking and periodic review of reimbursement records would enable the municipality to identify the most appropriate means of providing municipal work-related transportation.

The first step in managing vehicle use is developing an accurate inventory of what is owned, their use and their location. In Atlantic City, the Team received three lists of vehicles containing conflicting information. The State Division of Motor Vehicles provided a fourth list based on titles and registrations. The final list of 600 vehicles contained 26 of unknown type and location.

One of the responsibilities for municipal property is to know where it is and to conserve its condition in order to conserve its value. A centralized motor pool function can do this and can function in a way that holds the last driver responsible for the condition of the car. In Passaic, a Review Team member observed a Police Officer crashing into a parked vehicle and then driving over a curb in order to get his police vehicle out of its parking space to proceed on routine patrol. All property purchased by local governments is entrusted to the care of employees. That carries with it an obligation to care for it and conserve its value. Having a policy which allows a central motor pool to track custody and details responsibilities is critical. Failure to follow such policies must then be followed with appropriate disciplinary action.

The Camden report contained several recommendations that summarize the steps to be taken to assure responsible management and care of vehicles. The specific savings identified amounted to almost \$400,000. The recommendations included:

- Employing a qualified Fleet Manager establish and implement standards and practices and to manage centralized purchasing of vehicles.
- Consolidating all departmental operations with the exception of fire apparatus maintenance into one location and relocate all parts, supplies and materials to the garage site.
- Assuring a high quality, safe maintenance operation. Immediately consolidate all parts rooms into one central location and identify one person responsible for inventory control. Thousands of dollars are being wasted due to the mismanagement and fragmentation of the inventory operation.
- Consolidating, reorganizing and aggressively managing the mechanics to improve productivity. LGBR believed that 90% of the outside vendor costs could be handled by the existing staff.
- Replacing the 43-55 leased vehicles with vehicles purchased off state contract for a savings of as much as \$381,000.
- Automating the fleet inventory records.

- Once all this is accomplished and a cost per vehicle of maintenance can be ascertained, benchmark costs against the private sector by competitively bidding this work.

The goal of a vehicle maintenance plan is to maintain the availability of safe reliable cars in order to assure productivity. Operating a vehicle that breaks down so frequently that it costs more to keep in repair than to carry the cost of a replacement is counterproductive. Fleet management should include an inventory control and replacement plan.

Fuel Consumption

Locking fuel tanks with an automated control system is highly recommended to assure the use of municipal fuel for local government purposes only.

Infrastructure

The Atlantic City report summarizes LGBR's view of the significance of the infrastructure in a community by stating "One of the measures of the long term viability of a community and one of the essential elements of the public's perception of a town is the condition of its infrastructure...such as the condition of the roads, the available water supply, the number and type of facilities and the degree to which they are maintained."

Given this sentiment, the development of a capital plan that takes into account the condition of the existing infrastructure and forecasted growth in the use of the infrastructure is recommended. The goal of such a plan would be to assure continuous maintenance and planned expenditures for the provision of high quality service from roads to boardwalks to sewer and water systems.

The maintenance of infrastructure is critical to managing municipal costs by the taxpayer. In the course of LGBR reviews there were several circumstances where the condition of the sewer and water infrastructure were significantly increasing costs.

In Jamesburg, the sewer service infrastructure was close to eighty years old and in need of major repairs and replacement. Of the total money expended for sewer treatment charges, 34% could be attributed to infiltration. Repairing the system would cost \$175,000 and reconstructing the system would cost \$585,000. It was recommended that repairs or total reconstruction be undertaken and that Jamesburg Municipal Utility Authority (MUA) officials contact the New Jersey Wastewater Treatment Trust regarding low interest loans.

The recommendation for Atlantic City was to use the City Engineer to develop and manage capital investments. Given Atlantic City's numerous sources of capital, it is believed that with proper management of grant reimbursements and aggressive financial management, the City could accelerate the rate of municipal improvements without negatively impacting the tax rate.

The quality and accuracy of equipment used can also affect the revenue collected. In Passaic, the replacement of 75% of the parking meters significantly increased revenues; it was recommended that the remaining meters be replaced so that they would realize an additional \$8,000.

MANAGING SELECTED MUNICIPAL SERVICES

MANAGING FIRE SERVICES

Stakeholders

All residents and properties require and benefit from fire services. Municipal Fire Service also carries with it a level of emotional attachment on the part of a community. It is both a rallying point for community spirit and integral to the safety and well being of the community.

The Service

Fire services are more difficult to evaluate as they are developed to reduce and then meet a potential need as opposed to meeting a steady and/or predictable need. Fire service is delivered in New Jersey municipalities in a variety of ways, with the spectrum running from volunteer, to part paid to fully paid. Of the 10 municipal reviews considered in this report, five had Fire Departments that were departments of the municipal government and five had separate Fire Districts. The five municipal Departments represent both ends of the spectrum of service delivery alternatives -- four are fully-paid Departments and one is a volunteer Department.

Level of Service

The level of fire service as represented by the number and location of stations and companies provided by a municipality should be predicated upon past experience; an understanding of both the type and level of potential risks that exist; and minimizing response time.

An aspect of the service level that drives costs is the response protocols established by the Department. Each piece of equipment generally is staffed by an officer and three fire fighters with the commonly accepted first response to a working fire of three or four pieces of apparatus and 12 to 16 fire personnel. Many Departments automatically send three companies but several Departments have found ways to limit the initial response. In Morristown, a Department with paid drivers and volunteer firefighters, four vehicles respond with a total of seven paid personnel to a working fire. They can usually contain the fire effectively as the volunteers or mutual-aid departments arrive.

Types of Services

The determination of the range of services to be delivered by a paid or part-paid Fire Department has changed significantly in recent years. The impetus for this change has been the perception that fire fighters spend a considerable amount of time waiting for a fire call. Proactive and progressive Fire Departments realize the significance of their operational costs and are to be commended for their efforts to increase productivity. These include training and using line personnel to serve as first responders for emergency medical calls; performing required fire safety and other code inspections; and providing staff for fire prevention education services.

Ventnor City has trained 39 of its 41 uniformed personnel as Emergency Medical Technicians (EMTs) and house an ambulance at each fire station. All emergency calls for ambulance service are responded to by fire fighters trained as EMTs.

In Camden, the Fire Marshall is responsible for all fire prevention functions, including serving as the Fire Subcode Official and performing fire sub-code building inspections. Camden is in the process of implementing a program that will use line personnel to conduct these inspections. The last 26 fire fighters hired have been cross-trained as inspectors. A residual benefit of this practice will be more consistent review and preplanning of buildings by the fire personnel who will be responding to a fire.

The Costs

Fire service costs are a significant factor in local government budgets. In Atlantic City, fire service operations cost 17.5% of its more than \$135 million budget. Ventnor's much smaller Department costs almost one fifth of that City's total budget. The major costs/resources of Fire Departments are personnel, equipment, and fire stations.

Personnel

Paid professional fire service is labor cost intensive. In Atlantic City, salaries and wages comprised 97% of the Fire Department's \$23 million budget. Part-paid Departments, as found in Morristown and Morris Township can be very effective in providing consistent service while limiting the labor costs. In this form, paid drivers guarantee delivery of the equipment to the scene and volunteers who have been notified by beeper can meet the drivers at the fire.

In recognition of their cost, all aspects of the labor agreements need to be examined carefully for the actual cost and for ways to limit that cost. Three areas in which costs are not always readily visible and are material to the overall cost of operations include staffing configuration/table of organization; sick leave; and overtime.

Staffing Configuration/Table of Organization: Once a municipality is committed to paid professional staff, the first priority is to assure that the level of staffing is appropriate to the service needs. Factors to be considered when reviewing the appropriate number of uniformed personnel include:

- Any duty such as dispatching or record keeping that does not require the training of a uniformed fire fighter should be filled by a civilian. In Passaic, replacing uniformed dispatchers with civilians would have produced a savings of \$100,000; and
- Although the Department must be able to meet the demands of a worst case scenario, it does not have to staff for it -- instead they need appropriate resources to facilitate and coordinate a mutual aid response in that worse case scenario.

Once a staffing level has been established and the services defined, the next step is to assure a table of organization that minimizes administrative costs and provides a logical organization for support and delivery of services. In Atlantic City, the LGBR Team recommended that the Fire

Department implement an organizational structure that improved the span of control by increasing the number of line personnel per superior officer. The suggested revision to the organization increased the number of fire fighters per superior officer from two to four. It also increased the total number of line personnel by 10 and reduced overall staffing by 11 for a savings of more than \$1.7 million.

Sick Leave: The prevalence of non-traditional schedules in the fire service has resulted in a series of trends and abuses that inflate the costs of sick leave. To prevent this, every Department should have a clear policy regarding sick leave which, at minimum, defines abuse and allows the supervisor to request a doctor's note and check on the absent employee. Some of the abuses found include:

- In Camden, fire personnel earned 18 sick days per year and used an average of 16.2 days per year. The Department's unusual schedule means that this translates to 202.6 hours per year. In addition to recommending development of a specific sick leave policy it was recommended that the contract be amended to award sick time in hours rather than days. In addition to reducing the total hours taken, it will remove the incentive to call out sick on the 14-hour shifts as opposed to the 10-hour shifts.
- Passaic fire fighters work 24-hour shifts and are awarded sick leave in days rather than hours. Instead of earning 120 hours of sick leave like the Passaic police, they earn 360 hours of sick leave. Reducing the sick leave used by cutting it to the same number of hours earned by the police, would save the Department \$156,240.

In Atlantic City, the existence and enforcement of a specific sick leave policy has reduced the average sick leave use to three days. The process includes a regular review of sick leave and issuance of warnings to staff that exceed the average.

Overtime: If there is a single controllable and largely containable expense, it is overtime paid to fire service personnel. Containment can be accomplished by:

- Developing a policy which limits the number of people out on scheduled leave per shift; enforcing a specific and clearly stated sick leave policy;
- critically evaluating the need to fully staff all companies at all times; and building flexibility into staff assignments.

In Camden City it was estimated that overtime expenditures could be reduced by \$1.3 million by using some of these techniques.

Fire Stations

Location of fire stations carries an emotional intensity that has caused local officials to lament "The hardest thing to do is to convince people that building a fire station next door is good and the second hardest thing to do is to remove an existing fire station."

Ideally, there should be only the number and location of fire stations to meet the current need and to respond quickly to the highest risk. In fact, many fire stations are more than 100 years old and are thus located in areas that may have been logical then. They were designed and built to house horse drawn fire equipment. When new stations are built, rather than locating them based on

appropriate response time, it is more common for them to be located where there is property available and the neighbors won't complain. This results in the location and existence of stations with little relation to fire protection strategies.

An example of this tendency was found in Atlantic City. Atlantic City has seven fire stations with a median age of 83 years. The newest one was built 40 years ago well before casino gambling became legal and changed the economic, demographic and development characteristics of the City. A new fire station is under construction but the location was determined by the availability of land. LGBR recommended the development of a plan to have a total of three modern, strategically located fire stations to serve the 11.35 square mile land area of Atlantic City.

The inability to strategically locate fire stations and an unwillingness to change configurations as needs change frequently increases the cost of operating the Fire Department.

Equipment

Fire apparatus can be a symbol of success or pride to municipalities and their residents. Purchasing, operating and maintaining the appropriate equipment is integral to the safety of the fire fighters and the community. Balancing these factors is the difficult task of municipal decision makers. Once a service level is established, the number of fire vehicles and personnel have a generally fixed relationship -- one vehicle is normally staffed by three fire fighters and a superior officer to form a company.

While fire equipment is costly, we have seen a few examples of efforts to mitigate these costs. In Camden, the Fire Department has saved considerable sums by using highly trained personnel to rehabilitate existing equipment. The most recent example is the refurbishment of a 1975 aerial ladder truck which resulted in a savings of \$398,000. The LGBR Team commended this practice, but added that such measures need to be part of a comprehensive equipment maintenance and replacement plan that meets service demands and assures the availability of safe equipment appropriate to the types of fire risks found in the municipality.

In the Morristown area, the Black Meadows Cooperative, consisting of several municipalities with property contiguous to either Morristown or the Morristown Airport, have divided the cost of specialized equipment. This ensures the availability of equipment to meet potential needs, without unnecessary duplication.

Bradley Beach, a Borough of less than one square mile and 1,773 dwelling units, has a volunteer Fire department that maintains five pieces of fire apparatus. Nearby Asbury Park with a population of 17,000 and high rises, maintains fire service with three pieces of equipment. Based on that comparison, an analysis of the equipment and the cost to restore it, LGBR recommended that at least one piece of Bradley Beach fire equipment be sold at auction. This would produce a one-time savings of at least \$50,000 and a recurring savings of \$1,365 in reduced insurance premium costs alone.

Maintenance of the fire equipment is frequently performed by uniformed fire fighters at each station. It is argued that this equipment requires a high level of technical knowledge and that fire equipment must get priority attention. LGBR recommends that all vehicle maintenance be consolidated into one location and that maintenance be performed by trained civilian personnel.

Funding

The Fire Departments examined by the LGBR Teams are funded through the general property tax. Some of the productivity improvement measures identified above also represent a potential for increased revenues. Increased fire safety inspections can produce revenues while serving as a public relations and fire prevention tool. Other code inspections can also produce revenues. If a Fire Department were to provide emergency medical/ambulance service rather than serving as a first responder, a potential exists to generate revenues through third party billing.

Benchmarks

We have mentioned a few benchmarks already -- Asbury Park was used as a benchmark for Bradley Beach to gain some understanding of the relationship between size and characteristics of a community and the number of fire vehicles. Another benchmark is the generally accepted assignment of three companies to a fire call. This benchmark however, has been challenged by the performance of the Morristown Fire Department, among others. This reinforces the concept that benchmarks are not static and that they should be reviewed and revised on a regular basis. In the area of fire safety, it is clear that there are many community characteristics that will affect the selection of an appropriate benchmark for service. Characteristics that need to be comparable, include density; age and type of housing construction; number of high rises or multiple family complexes; the existence of fire control systems within structures, commercial and industrial development; and transportation and water supply infrastructure, among others.

Overlap and Competition

Fire Departments can benefit substantially from shared services and regional services. Historically, the fire service has ignored municipal boundaries to develop mutual aid agreements to support each other and many New Jersey fire districts actually cross municipal boundaries. At other times, the fire service can be as parochial and observant of boundaries as any other service.

Shared Services

Increasing the number and types of services provided by Fire Departments is one way to increase their productivity. Examples already mentioned include the first responder concept and having fire personnel perform fire subcode inspections and life safety inspections. Another example is shared dispatching of all emergency services. This was recommended along with replacing uniformed officers with civilians in Passaic.

Regionalization

The high cost of all fire resources combined with a frequent inability to attract sufficient volunteers, leads to the regionalization alternative. Regionalization of some aspects of fire service exists with a growing number of County operated fire schools.

As noted, the existence of mutual aid agreements or intermunicipal Fire Districts should ease the way for the development of regional solutions. For example, significant savings could occur if communities developed schedules which allowed for full coverage of selected shifts by a neighboring community. Reimbursement between communities for coverage of designated areas during prescribed times could significantly reduce costs for one community while developing a source of revenue for another community.

MANAGING POLICE SERVICES

Stakeholders

The stakeholders in police services are the taxpayers as well as all residents, businesses, property owners and visitors. The degree to which police service is effective in creating a safe and attractive atmosphere affects the property values which in turn affects the desirability of the municipality.

Services

The definition of police service is driven by the demographic characteristics of a municipality and its physical characteristics and infrastructure. Service levels can be affected by the community's desire to provide more service. The critical first step is for the municipality to identify the existing demand, for example the number of calls, the number of crimes, and the high crime areas, and then develop a program which responds to that demand. This could include a variety of prevention, proactive and community service oriented functions. This service definition should drive the staffing and resource allocation of the Department. It has been the LGBR experience that Police Departments have been entrenched in traditional service delivery and have developed or expanded incrementally.

Costs

Like fire service, police protection is very labor intensive and thus many of the means of decreasing costs relate to staff -- how it is organized and how it is used. The largest staff allocation in a police operation consists of uniformed patrol officers out on the streets, available to respond to calls quickly while providing a visible deterrence.

Patrol Analysis

LGBR recommends regular review of patrol deployment and scheduling to assure proper coverage in response to analysis of the number and types of calls. The depth and accuracy of such an analysis depends upon the detail of the information available. Appendix F explains one type of patrol analysis. This particular method is based on number of beats per shift. This technique assumes that the number of beats and the staffing of the beats are correct. If fiscal constraints cause staffing cuts one could use the staffing figure to derive a feasible number of beats. This information could be further adjusted to apply peak coverage at peak times. The allocation of patrol forces can and should be examined and managed to provide the most appropriate coverage.

Organization/Span of Control

Because of the similarity between the two functions, many of the observations about Fire Department operations relate to Police Departments as well. Once patrol needs are established, the organization should provide for logical span of control from Sergeant on up to Chief and should minimize administrative staff and salaries. In Lakewood, 26% of the personnel were supervisory; in a number of instances, high ranking officers managed single operations or one to two officers; and there were unclear channels of communication through the ranks. As a result, LGBR recommended that the Department reorganize to reduce the number of superior officers, clarify communication lines and increase the number of officers available for patrol without expanding the police force. The cost savings from a reorganization was conservatively estimated at \$100,000.

As in Fire Departments, any position such as dispatching or record keeping that does not require the training of a uniformed police officer should be filled by civilians. In Passaic, the Team recommended that the City Council adopt an ordinance that specified the types of functions within the Police Department and the number of employees to be hired in those functions including: Management, supervisory, line and civilian. It was estimated that the savings in salaries alone would amount to \$420,000 in the Passaic Police Department.

Overtime

In Police Departments, like Fire Departments, overtime can result from sick leave or management's failure to control vacation and other leave time to prevent overtime. The recommendations made under the Fire Department section apply equally to police operations:

Police Departments frequently have structured overtime relating to court time. Police Departments can and have significantly reduced overtime by renegotiating contract clauses that require that officers be paid overtime for all court time and by working with the courts to develop schedules that allow police officers to appear for a finite period of time during their working hours. In Passaic, savings were estimated at \$15,000.

Funding

The primary source of revenues for support of Police Departments is the property tax. Police Departments are also encouraged to take advantage of incentive grants as long as they don't require expenditures that are higher than the revenues received.

Additionally, fees for reports, monitoring burglar alarms and other services are appropriate and should be set so that they reflect the cost of supporting these services. In the case of burglar alarms, a schedule of fines should exist that encourages property owners to perform the necessary maintenance and training to minimize the occurrence of false alarms. It should be acknowledged that these services go beyond the scope of the services available to the public at large and therefore are appropriately supported by both the tax base and the user.

In Lakewood, police provide a bank escort service to businesses for a modest fee of \$24 per trip. This supports the economic base of the community while establishing a fee to cover the costs of a service provided to only a specific segment of the population. The Team recommended that this fee be reviewed to ensure that it appropriately recovered the cost of this service.

In some municipalities, drug forfeiture money is available for drug enforcement related purposes. Expenditure of this money requires municipal approval, approval of the County Prosecutor and compliance with the purchasing regulations.

Benchmarks

Police Departments are fortunate to have access to a set of statistics relating to police services in the form of the Uniform Crime Reports (UCR). Additionally, both national and State manuals exist which outline the details of effective police administration in the form of the accreditation program established by the Commission on Accreditation for Law Enforcement Agencies, Inc. and the New Jersey State Law Enforcement Standards distributed by the State's Division of Criminal Justice.

The UCR reported crime rate and the ranking of a municipality within its County for crime provides a perspective on public safety. Jamesburg, a very small town, ranked third in Middlesex County for reported violent crimes and consequently needed to focus on public safety issues. In Camden, the Police Department had the highest crime index per police officer of any major urban city and was significantly higher than any of the State averages. Camden had six more domestic violence acts per police officer than the next highest urban center.

In the Camden review, LGBR looked at other workload indicators such as how many officer hours were consumed in calls for service, domestic disturbances and burglar alarms thus providing more depth to their understanding of the Department. Given this data, the recommendation of the team focused on identifying ways to reduce the heaviest burdens, including:

- Imposing fines for repeated false burglar alarms; and
- developing a domestic violence response team that uses police officers and social workers. This would allow police officers to specialize in the area and thus increase his/her efficiency. Having a specialized team would allow them to be scheduled for the peak domestic violence time periods.

Overlap and Competition

Dispatching provides an opportunity for shared services between all the emergency services, as mentioned under fire services, as well as for regionalized delivery of services. The Jamesburg Police Department contracts with Spotswood for dispatch services. The cost of this contract is \$20,930 in 1996. Given their need for 24-hour coverage, it would cost at least \$100,000 to

provide the service in-house. While there were some concerns over the quality of service, none of the examples cited involved life threatening or other emergency situations.

The cost of maintaining police vehicles can be reduced through:

- Consolidating the function in the Public Works garage;
- contracting for maintenance with a private vendor; or
- sharing vehicle maintenance services with another municipality.

In Atlantic City, the Police Department operates and maintains 300 vehicles at an estimated cost of \$3,759 per vehicle per year with no accountability and very inconsistent maintenance. Atlantic City has two options available:

- Competitive contracting which could save \$793,180; or
- merging or restructuring the entire municipal vehicle maintenance function which could save \$621,308.

MANAGING PUBLIC WORKS

Stakeholders

Public Works Departments generally provide both services to the public and services in support of governmental activities. Among the most visible services delivered by local government are refuse collection and maintenance of public property. If those services are not provided well, the residents and the property owners become disgruntled. Neglecting these services for a period of time can affect the value of the property in a municipality. Public Works Departments also have the employees of the municipality as its customers in areas such as vehicle maintenance and repair and for custodial services and thus must be cognizant of the impact their service has on the quality and reliability of services provided by other municipal agencies.

Services

Public Works is frequently a labor intensive catch all for a variety of services provided directly to the public and in support of municipal operations. Each of the more significant subservices will be discussed briefly, in terms of the potential operational improvements that have been identified.

Garbage Collection

In Atlantic City, LGBR identified sufficient savings to reduce the per ton personnel cost of garbage collection from \$71 to \$42 which is within the \$33 to \$48 range of competitively bid garbage collection. The suggested improvements included:

- Eliminating the evening shift;
- redesigning the routes and schedule pickups over a five day period. (This would require fewer trucks at once and would permit the city to pick up the business district every weekday.)
- beginning the standard work day earlier;
- paying the crews for hours actually worked; and
- reducing staffing to 20.

Recycling

Emphasizing and maximizing recycling could reduce the garbage tonnage and earn revenues. Improving recycling percentages is a cost savings strategy to be used by any community. In Camden, the impact of such improvements can be seen clearly. The per ton cost of recycling collection averages \$342 while the cost per stop averages \$27. The difference between these two costs indicates that the volume picked up at each stop is low. In response to this finding, the Team recommended that the crew size be reduced from three to two laborers per truck and that recycling participation be increased by 50%. These two actions would reduce the per ton cost to \$145. In addition, contract hauling fees and the tipping fees would be reduced by \$139,171.

Total savings from the staff reduction and the increased recycling would equal: \$399,942. Table 5 summarizes the current and alternative scenarios.

Table 5: Camden City Recycling Alternatives

Camden City Recycling Alternatives					
Measure	Tons	Stops	Total \$	\$ Per Stop	\$ Per Ton
1. 1994	2,172	27,122	\$732,282	\$27	\$342
2. Reduce Crew Size	2,172	27,122	\$471,511	\$17	\$217
3. Increase Recycling 50%	3,258	27,122	\$732,282	\$27	\$225
4. Both 2 and 3	3,258	27,122	\$471,511	\$17	\$145

Jamesburg has recently contracted with Middlesex County for recycling services. It is expected that the expanded services offered through this contract, costing \$18,543, will lead to an increase in recycling from 15% to 45% which in turn will decrease tipping fees by at least \$20,000.

Road Maintenance

Municipalities are responsible for maintaining the appearance and safety of its roadways. In a City dependent on tourism, the appearance of the streets can have a significant impact on the visitors' view of the community. Atlantic City devotes significant resources to the maintenance of the appearance of the streets and roads of the City. Fifty-six employees with an average per person compensation of \$41,395, are responsible for mowing the medians, sweeping the streets and filling potholes. The total cost of this effort is \$2.3 million dollars and more than 3.5 tax points. With the objective of enhancing the productivity and reducing the cost of the operation, LGBR recommended that Atlantic City:

- Rename The Asphalt Division, The Road and Property Division and move the mowing crew and equipment operators into it in order to have most of the heavy equipment in one division and to improve supervision and resource allocation.
- Modify the routes and schedules of the broom operators to resolve overlaps with the Special Improvement District and to minimize difficulties caused by traffic and parked cars.
- Eliminate Sanitation Inspectors. The Division Supervisor should be assigned the responsibility for ensuring timely, thorough and courteous work. The Health Department is responsible for health related violations. This would save \$165,580.
- Eliminate the pool of 13 laborers used to sweep areas by hand to save \$192,230 per year.

Maintenance and Custodial Services

The lowest cost custodial service found to date was provided in Jamesburg at their municipal building. The building was cleaned by Community Service Workers, who were supervised by a Community Service Supervisor at a cost of \$10 per hour for a total personnel cost of \$3,505. This was a creative means of cutting costs. The Team recommended, however, that Jamesburg package the cleaning, maintenance and landscaping services for Borough Hall with similar services either in the Jamesburg School District facilities or a neighboring community to determine whether the services provided could be improved in terms of either quality or cost.

In Willingboro, it was estimated that by contracting out custodial and maintenance service, the municipality could reduce their costs by 39%. The Team further recommended that the municipality consider bidding the school services in conjunction with the municipal services in order to create an even more attractive package.

Vehicle Maintenance and Repair

Atlantic City maintains a fleet of about 600 vehicles. In 1994, Atlantic City spent approximately \$2,199,170 in salaries, wages and benefits on a total of 52 positions dedicated to vehicle maintenance and repair. This results in a ratio of 11 vehicles per maintenance employee. (In comparison, Mercer County Motor Pool maintains 489 vehicles with 21 employees. Mercer County's staffing translates to 23 vehicles per employee.) Atlantic City's vehicle maintenance and repair is done at three locations the Public Works Garage, the Police Garage and the Fire Department. The Fire Department's maintenance crew includes a Battalion Chief and two fire Fighters. The per vehicle cost of personnel is \$3,759. When parts and lubricants are added to the personnel costs, the total is \$4,758 per year. Table 6 details expenditures and staffing of the Mercer County Motor Pool to provide a benchmark of a cost efficient in-house centralized motor pool operation. Mercer County's total average per vehicle maintenance and repair costs are: \$2,377.

Table 6: Mercer County Motor Pool Operations -- A Benchmark

Mercer County Motor Pool Operations A Benchmark		
Mechanics	12	
Supervisors	4	
Helpers	2	
Clericals	2	
Chief	1	
Total Personnel	21	
Personnel Costs		
Salary	\$626,404	
Longevity	\$22,350	
OT	\$55,000	
Benefits (25%)	\$161,969	
Total Personnel		\$865,723
Personnel Cost per Vehicle		\$1,770
Other Expenses		
Parts, Tires, etc.	\$172,000	
Special Services	\$99,000	
Other	\$25,565	
Total Other		\$296,565
Other Expenses per Vehicle		\$607
Grand Total		\$1,162,288
Fuel		\$202,500
Vehicles	489	
Per Vehicle Maintenance		\$2,377
Per Vehicle Total Operating Costs		\$2,791

Shade Trees

Many municipalities operate crews to prune trees and remove stumps along right of ways and on municipal properties. Proper care of trees is important to maintaining an attractive and safe community. The work, however, is seasonal and the service is well established in the competitive market, therefore it is ideally suited to competitive contracting. In Kearny, the Team recommended that the shade tree services be competitively bid in order to compare the costs of their seven person crew to the costs that would result from a competitive bid. Many large electric utilities have determined that private contractors can provide excellent tree related services even in emergency conditions.

Costs

Many of the significant costs and areas in need of improvement relate to personnel -- overtime, sick leave abuse, and total staffing. Public Works Managers have an advantage in that benchmarks for service costs are readily available from the private sector for almost every function. Frequently, the Teams' analyses have identified contracting for services as viable options to improve both service and cost.

Recent legislative changes, such as mandatory recycling and the enactment of the Condominium Services Act, have significantly impacted the delivery of Public Works services. In many communities, the response has been to simply add the new service to what they are doing and hope that they will be able to find the money to support it. In other communities, these mandates have been opportunities for the reevaluation of service delivery and reallocation of resources to implement the service.

Lakewood Township has a significant number of condominiums and had been paying to support some services to condominiums prior to the enactment of the law. The administration in Lakewood treated the Condominium Services Act mandate as an opportunity to review and reevaluate the delivery of services within the community. As a result, they developed a clear and conservative policy regarding the delivery of services to the community as a whole and to condominium associations in particular. The new policy stated that the Township would pay the actual cost of the provision of the same level of service provided to the rest of the community to the condominium association. A byproduct of this analysis was the recognition that many of the condominium associations were getting better service for less money by bidding contracts for refuse collection and other maintenance services.

Fragmentation of Staff

One theme that was consistent throughout the various Public Works Departments was organizational fragmentation. The result of this fragmentation was a lack of supervision and accountability that carried with it a high price tag in overtime, sick leave abuse and lost productivity. Atlantic City's boardwalk operation provides an example of the degree of fragmentation that exists. LGBR recommendations provide examples of some of the solutions to that fragmentation.

The Atlantic City Boardwalk operation's budget is more than \$1.3 million and consists of 33 regular employees and part time seasonal employees. The findings included:

- There are more specialists than crew members. The City should reevaluate the number and types of personnel assigned.
- Costs included \$49,250 in overtime and \$5,034 in out of title pay -- most of which was earned by supervisors.
- There was almost no difference in the pattern of scheduling crews between seasons or between weekends and week days.
- At the end of 1994, 15 of the 33 regular employees had used more sick leave than they had earned in the year.
- Consideration should be given to the overall strategy for supervising personnel.

Sick Leave

Typically, municipalities employ more Public Works employees than they need on a day to day basis to compensate for the high level of absenteeism. For example:

- In Passaic, the average DPW employee used 12.34 out of 15 days each year. If they had reduced sick leave to 10 days per year, the productivity gain would equal \$30,000 or one employee.
- In Camden, the Department of Environmental Affairs employees averaged 15 sick days per year, which equates to more than seven full-time employees. If sick time were reduced by 40%, the result would be equivalent to more than three employees.
- In Lakewood, the Public Works Department averaged 16-18 absences per day -- this is 19% of the Department. The 20 most frequent users averaged 12 years of service and only 12.7 unused sick days.

Workday Productivity

It was fairly common to find that public employees did not work a full day. In Camden most employees punched out an average of 13 minutes early, and yet were paid until the end of their shift. Several communities have a practice of allowing refuse collection crews to go home once they have completed their route, resulting in work days significantly less than established. Employees should be given enough work to fill their day and they should be paid for the time that they actually work.

Overtime

It is not uncommon for Public Works operations to have overtime built into the way they deliver services. At minimum, consistent amounts of overtime should trigger an analysis of the task and how it is performed to identify alternatives that will reduce the need for overtime. In Passaic over half of the DPW staff earned an average of 17 hours of overtime every pay period prior to the privatization of recycling. In Lakewood, recycling and refuse were collected two days per week. Recycling was operating at capacity and refuse collection was operating beyond capacity -- accruing 23.25 hours of overtime each week. In response to this issue, the Department developed a plan to collect refuse and recycling four days per week while reducing the number of stops per day. This configuration would reduce the overtime and enable the Department to operate with three less people.

In the City of Passaic, LGBR found that supervisors did not control or manage overtime and they made no efforts to verify the accuracy of overtime claimed. Miscellaneous overtime cost the City \$98,000 annually. The specific findings of the team included:

- Overtime was used for routine tasks without explanation as to why the work could not be done during the work day.
- Overtime was frequently claimed on Sundays for double time rather than Saturdays for time and one half.
- Overtime was assigned, triggering a minimum four-hour call out for work that could have been completed by an employee already on duty -- Passaic spent \$2,000 in one year to have the flag raised and lowered on holidays and special event days.
- Street sweeping triggers four hours of overtime every Saturday. Passaic was urged to amend the union contract to allow a modified work schedule.
- The Review Team found that one individual was paid overtime for the same time period from two different divisions.

Uniforms and Tools

A cost found in many contracts relates to uniform, tool and clothing maintenance allowances. To the extent that uniforms are required, these contract clauses have an established limit and require documentation of expenses. Communities with a large number of uniformed employees should consider bidding both the maintenance and sale of uniforms. Tools should be provided by the municipality and kept secure in municipal facilities. If the tools are provided, there would be no need for a tool allowance. In 1994, Lakewood spent \$126,970 for their uniform allowances and \$3,200 for their tool allowance.

Workers' Compensation

In 1993, the productivity lost due to workers' compensation claims in Lakewood's Department of Public Works was equivalent to two employees. In an effort to improve its record, Lakewood changed its medical referral policy to use the Corporate Care Center at Kimball Medical Center. It is believed, that the use of this central agency contributed to the 20% reduction in claims that occurred between 1993 and 1994.

Developing safety policies and procedures including a Safety Committee and requiring employees to wear safety equipment is also recommended to reduce the Workers' Compensation losses.

Benchmarks

The benchmarks used for public works services are the cost of a service if it were competitively bid or the cost of service in other public agencies. If a public entity can improve the efficiency of its operations to fall within the range of competitively bid costs, then the operation can be considered cost efficient. If contracted services are above the range we have identified, the bid specifications need to be reviewed to identify a means of making it more competitive next time it is developed. Frequently, the Teams have observed services costing significantly more than the

competitive costs presented to the community in public bids. The residents and the taxpayers are entitled to the best service possible at the most competitive price and should not be paying a premium to have the service delivered.

Overlap and Competition

Competitive Contracting

Almost every service performed under the umbrella of Public Works could be effectively competitively contracted. The specific recommendations made to date, have included:

- In Kearny, where the garbage collection is already competitively bid, it was recommended that shade tree, street maintenance and sweeping, fleet maintenance, recycling and leaf collection, and building maintenance be competitively bid to produce an estimated savings of \$340,000.
- In Atlantic City, consolidating and competitively contracting fleet maintenance could produce a savings of more than \$1.5 million. Consolidating and contracting for all building maintenance and custodial services while allowing the City to retain one attendant for each building could save approximately \$687,000. Competitively contracting boardwalk repairs would save approximately \$30,000. Reorganizing, streamlining and assuring accountability could reduce the refuse collection costs by as much as \$131,881.
- In the City of Passaic, competitive contracting was recommended for: Janitorial and light maintenance; tree pruning and stump removal; vehicle maintenance and repair; and street sweeping. The savings from competitively bidding custodial services were estimated at \$25,625.
- Competitively contracting recycling and garbage collection in Lakewood could result in an estimated savings of \$372,219.
- Demolition costs in Camden were \$20,904 per structure while competitively contracted demolition costs were \$16,571. The savings that could be realized by competitively contracting this task was \$151,655. Competitively contracting for recycling services could save approximately \$260,771 in Camden.

Competitively bidding a service will not save money unless the positions related to the contracted task are eliminated. Passaic privatized recycling and continued to employ the eight people who were responsible for recycling and the street division personnel who regularly supported recycling. If just eight of these positions were reduced, the City would save \$254,000 per year.

Shared/Regional Services

In the small communities of Downe Township and Bradley Beach, and the somewhat larger communities like Willingboro, sharing snow removal, garbage collection, building maintenance, and fleet maintenance services with other municipal entities such as school districts or utilities could result in significant savings by absorbing the units of service without increasing costs substantially. For example:

- In Willingboro, sharing fleet maintenance between the School District, the Municipality and the Utility Authority could result in savings of as much as \$80,000.

- In Downe it was recommended that the Township and School District share numerous services including lawn maintenance, refuse collection, vehicle fuel, recycling, snow removal, custodial services and motor pool.
- In Bradley Beach, it was recommended that the Borough and the Board of Education share a maintenance contract as well as responsibility for snow removal.

LGBR recommended that Jamesburg competitively contract all building custodial services as well as landscaping services in conjunction with either the School District or a neighboring municipality.

In all 10 communities in which reviews of both the municipality and the school district have been performed, a clear opportunity to produce better service and reduce costs was observed if the two units of government worked more cooperatively. In fact, the opportunities frequently appeared greater through cooperation between the school district and the municipality than between two municipalities or school districts.

MANAGING PUBLIC FINANCE

Stakeholders

Every property owner, taxpayer, and goods and service provider has a stake in the quality and effectiveness of a municipality's financial operation. The fact is, however, that the quality of the financial operation is not readily visible to those stakeholders. They can see the property tax rate and perhaps the speed of the payment process, but the role of the finance operations in these two indicators is fairly obscure. This low public visibility has resulted in a reduced level of public accountability and frequently a casual attitude on the part of the financial administrators that the LGBR Teams have observed in many of the municipalities reviewed to date.

Services

Finance is a service function encompassing contact with taxpayers as well as support of the operation of local government. The Chief Financial Officer is frequently responsible for:

- Tax Collection
- Tax Assessments Cash Collection
- Cash Management
- Purchasing
- Budgeting
- Accounts Payable/Accounts Receivable
- Miscellaneous functions such as licensing and management information systems and insurance are frequently included within the finance department.

The Finance Office should function to preserve the financial well being of a municipal government. As such, an effective Finance Department:

- Assures accountability for cash collection; revenue collection and expenditures.
- Maximizes revenues by
 - Managing for a high return on investments
 - Improving the tax collection rate
 - Improving the delinquent tax collection rate
 - Maintaining assessments for benefits
 - Monitoring and managing grant revenues
 - Reviewing fees and charges on a regular basis
- Actively managing the budget from preparation through closeout,
- Participating actively and responsibly in the contracting process,

Costs

Finance is an administrative and overhead function. As such, a well-run Finance Department minimizes turnaround on transactions while maximizing accountability and minimizing staff. This is best accomplished with a well trained and productive staff organization; an appropriate and up-to-date automation system; and well established systems, policies and procedures for performing the financial functions and reporting the results to the elected officials that are ultimately responsible for the tax rate.

As the LGBR Teams reviewed the various communities, almost \$15 million dollars in savings were identified through improvements in financial management. The Team recommendations included improved cash management, higher tax collection rates, etc. The recommendations made, dealt with the establishment of systems and procedures to assure accountability and appropriate management of a community's financial resources. Table 7 summarizes the savings impact of the financial management improvements by community.

Table 7: Financial Management Savings

Financial Management Savings	
Municipality	Savings Identified
Atlantic City	\$ 9,059,623
Bradley Beach	\$ 216,835
Camden	\$ 1,795,842
Downe	\$ 142,583
Jamesburg	\$ 46,552
Keansburg	\$ 203,400
Kearny	\$ 1,042,415
Lakewood	\$ 72,928
Passaic	\$ 1,010,000
Ventnor	\$ 200,000
Willingboro	\$ 297,650
TOTAL	\$14,087,828

The specific operational findings included:

- In Passaic, the Team found that “the procedures for maintaining records, the working relationship with other departments, and the type of automation were all indicators of opportunities for major improvements.” Some examples are:
 - Staff maintains manual accounting ledgers and an automated system and neither was completely accurate.
 - There was a lag between the date when the Finance Officer certified that there were funds available to cover the cost of a purchase and the date when the expense was encumbered. These two actions must be closely linked to ensure accurate budget control.
 - For both routine operating expenditures and capital expenditures there was frequently a lag of several months in the payment of vendors.

- In Kearny, the report stated “the Finance Office and all related functions such as purchasing, recordkeeping, financial reporting and banking are in a state of disarray.” Some of the findings were:
 - Absence of readily available standard bookkeeping records.
 - Purchasing without requisitions or purchase orders; uncontrolled use of open purchase orders; and splitting purchases to avoid the bid threshold.
 - Extensive backlog of unreconciled bank statements; multiple bank accounts for the same purpose; and large sums of money in noninterest bearing accounts.
 - Payment of claims for payment to professionals with little or no documentation and in excess of the amount authorized by the governing body.
- In Atlantic City, consistent with the Team’s theme of a “work in progress” finance functions were seen, for the most part, to be improving. For example:
 - The implementation of a new automated tax collection system and bar-coded bills will significantly improve the efficiency of the Tax Collection Office, combining the Cashier and Collection Office was recommended to increase the Office’s ability to respond to the cyclical nature of the tax collection workload.
 - The grant receivables due have increased every year since 1989 when the amount due was \$1,865,160 to a December 31, 1994 total of \$5,506,392. The considerable growth of receivables indicates that grants management must be addressed.
 - The Team identified eight trust fund reserve accounts in need of particular attention for a variety of reasons, concluding that the level of activity or lack thereof indicated the account was no longer needed or payments into the account were higher than necessary.
- In the Camden City report, an addendum to the cost of government analysis was made “because of the extent of the costly decisions and questionable policies in the operations of the City government in Camden.” This addendum enumerated more than \$20 million in lost income and waste in financial services alone. Many of the findings were similar to those identified above or worse. They included the subtraction of the cost of hiring an internal auditor and a fund accountant. Some of the causes of the deplorable condition of the City’s financial management, include:
 - Accounting functions are not centralized and as a result discrepancies exist between departments and the Finance Office.
 - The city does not maintain a fixed asset accounting system.
 - The City’s encumbrance accounting system does not meet standards required by Local Government Services Technical Accounting Directive No. 85-1 and ignores the basic safeguards inherent in the directive’s requirements.

Funding

As an overhead, administrative function, the Finance Department is funded by the revenues it collects. The LGBR Teams have found, however, that each Finance Department reviewed can pay for itself by improving some aspect of its operation.

Benchmarks

For the financial functions, the benchmarks we have used are State norms or averages and existing conditions. For example, in Keansburg, the 1993-94 projected tax collection rate was 86.30% and the actual tax collection rate was 89.92%. Based on the municipality's own performance, LGBR recommended that the governing body set an anticipated tax collection rate closer to the actual. If the estimate had been 2% higher, the reserve for uncollected taxes and thus the taxes levied would have been reduced by \$68,000.

For investments, the leading benchmark used was the New Jersey Cash Management Fund. For each entity reviewed, the cash flow was analyzed and the realized returns are compared to the returns that could be realized through investing the same cash flow in the New Jersey Cash Management Account among others.

Overlap and Competition

Competitive Contracting

The nature of municipal financial operations fairly well limits the opportunity for competition in an open market. What is disconcerting, however, is that little effort is made to take advantage of competition where it does exist -- most notably in banking. The financial services industry is now more competitive than ever. Financial institutions are aggressively developing new services and investment instruments for their large depositors. Municipalities are large depositors and should be aggressively pursuing competitively solicited multi-year service contracts for financial services. The competition is so great at this point that it is realistic to expect a financial institution to offer solutions to municipal financial management dilemmas.

Shared Services

Given the need for checks and balances and separation of duties in the Finance Department, small agencies are encouraged to share services with other agencies within their community. Some degree of shared financial management between a School District and a Municipality was recommended in each of the reports for:

- Downe Township
- The Borough of Bradley Beach
- The Borough of Jamesburg
- The Township of Willingboro
- Lakewood Township

MANAGING SELECTED SCHOOL SERVICES

MANAGING TRANSPORTATION SERVICES

Stakeholders

The needs and characteristics of the students, their parents, and the community at large will determine the nature of the transportation services to be provided in a school district. School transportation services include several categories:

- Mandated or regular
- Optional, commonly referred to as "courtesy"
- After school activities/athletics
- Special Education
- Nonpublic
- Field trips

The services required and the decision of how they will be provided all affect transportation costs. In Keansburg, attempts to eliminate all optional busing were met with significant parental protest. Upon investigation, many of the parents were concerned that busing was their way to ensure that the students arrived at school after they had left for work. Thus a service other than transportation itself, was provided to meet the specific needs of the community at a cost of \$343,500, or approximately 10 tax points.

Districts with a high number of students transported out-of-district for special education incur significant transportation costs. In Atlantic City, the estimated average per pupil cost of transporting Special Education students is \$2,750, with a total estimated cost of \$511,500. The average per pupil cost of transportation for that School District is approximately \$800. If the School district were to bring 42 students back into the District, the transportation savings alone would be \$81,900.

Services

Once the characteristics and needs of the stakeholders are known, the service can be properly defined. This definition must recognize the District's legal requirements, however, it is also affected by the many decisions that are made about other aspects of school services, including:

- Extent and location of after school athletics and other programs.
- Extent to which special education students are sent to other schools.
- Location and number of schools: The relocation of Atlantic City High School meant that transportation service had to be provided instead of bus passes for high school students for the first time. The transportation cost of the opening of this school in 1995 was approximately \$942,043 more than the prior school year.
- Timing and scheduling of individual schools' daily hours.

In New Jersey, the first step in defining transportation service is deciding the degree to which the School District will provide optional transportation services. Using the Keansburg example, the Borough of 1.1 square miles has students below the distance parameters for mandatory transportation and yet the population served desires the optional transportation services.

Costs

A recent New Jersey School Boards Association (NJSBA) study showed that the average per pupil cost of school busing in New Jersey was \$961 compared with \$549 in New York, \$578 in Connecticut and \$400 in Delaware. NJSBA stated that this represents an additional \$150 million annually. This data can be seen as evidence of the need for New Jersey School Districts to lower the cost of school transportation.

Once decisions are made about level and types of service to be provided, the School District should determine the cost of the service as a whole as well as the cost of types of services provided. Knowing the composition of the costs will enable the community to identify the most costly components and then look for ways to better control them. For instance, in Hamilton, by identifying the costs associated with each of the various categories of transportation, it was possible to identify the savings that could accrue from specific changes in the service. In this case, redefining the service level to eliminate only nonhazardous courtesy busing could have resulted in a savings of \$463,404.

In Willingboro, \$205,250 was reported as paid in overtime to bus drivers for normal operations. All 60 of the bus drivers were considered part-time and therefore should not have received overtime unless they worked in excess of 40 hours. Examining the specifics of the cost of transportation services allowed the Team to identify the need to renegotiate the work rules to pay time and one half overtime only after 40 hours are worked to produce a cost savings estimated at \$68,417 annually.

Funding

School funding is a sensitive issue at the start because the funding is predominantly derived from property taxes on all residents and schools are attended by children of only a portion of the taxpaying population. The decision to fund services that are ancillary to education and not mandated by State law must be made consciously after exhausting all other means of funding. In both the Keansburg and Lakewood Reports, the Teams recommended that the population that benefits from optional transportation services pay for those services. The potential reduction in tax dollars expended would be from \$95,700 to \$138,500 in Keansburg and \$342,000 in Lakewood.

Regionalizing the service reduces property tax cost by generating revenue and better using existing capacity. In Atlantic City, transportation services are contracted out, no courtesy busing is provided and no transportation vehicles are owned or operated by the District. Savings were

identified by changing Board of Education policy to allow Atlantic City to add Ventnor, Margate, Longport and Brigantine students to its late evening sporting event bus routes for increased revenues estimated at \$15,000 while reducing the cost for those communities served.

Another aspect of paying for transportation services is that the manner in which transportation is provided and funded affects the amount of State aid received for transportation. Because nonhazardous, courtesy transportation does not qualify for State aid, the more courtesy busing there is, the more the per unit property tax cost of transportation is increased.

Benchmarks

Transportation is an area where benchmarking is certainly relevant. The basic benchmarks of service relate to the efficiency of the transportation system, including the number of students per route, percentage of bus capacity utilized, and the cost per student transported. A good way for a community to identify the benchmark cost is to seek competitive bids for this service. This will allow the community to identify a cost that has had the benefit of market pressures.

Overlap and Competition

Many school districts now competitively bid these transportation services. Lakewood estimated the four-year cost savings on its contract to be \$4,238,191. LGBR's analysis of Lakewood's experience indicated that when transportation contracts were renewed rather than rebid, the increases were higher by 3-5% per vendor renewed. The only significant concern expressed by the District was over an inability to address discipline issues with a school bus driver directly.

In Ventnor, the high school students used \$12,500 worth of public bus transportation tickets to get to the old Atlantic City High School. The new location requires approximately \$130,000 in additional transportation services. To mitigate the expenses, LGBR recommended that Ventnor also transport high school students from Margate and Longport thus increasing revenue as well as increasing the used capacity of the buses. Combined with a reduction in courtesy busing, it was estimated that this solution could provide Ventnor a net savings of \$100,000 in transportation costs.

In Passaic, where many of the transportation routes are operated at 50% capacity, the School District was urged to work with the neighboring Clifton School District to explore the possibility of shared transportation routes. The two Districts had nine destinations in common including the County Vo-Tech High School. Passaic was also encouraged to speak with all Districts along the bus route to explore sharing costs and maximizing the use of transportation resources. Estimated annual savings from cooperating with Clifton alone were between \$60,000 and \$90,000.

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MANAGING FOOD SERVICES

Food Service for some students is a convenience and for others it is providing a nutritious meal they would not otherwise receive. Food services are operated as an enterprise fund. With a combination of Federal monetary aid and commodity donations, State aid, user fees and cost control, most well-run food service programs will annually produce retained earnings.

Stakeholders

The primary stakeholders are the students and their parents. This group comprises those for whom it is a necessity and those for whom it is a convenience. The characteristics of this group will have an impact on the food program offered, the funding available and the solvency of the program. In Jamesburg, in addition to being small in size, the split between paid, subsidized and free lunches has changed dramatically between the 1991 and 1992 school years impacting on their program's solvency.

Other significant stakeholders include the District's food service employees or the food service vendor and the school administration. Where the food service is locally operated, the employee is usually a resident and thus potentially a voter. Boards have expressed an unwillingness to change to a competitively contracted service because it could be a politically volatile issue with their employees and their constituents.

Service

As noted above, students participate in the school lunch program either because it is their primary nutritious meal, it is free or reduced, or because the students like the food and the parents find the cost reasonable and the service convenient. The most successful food service program identified by the Teams to date has been the Lakewood Schools program which has been competitively contracted since the mid-1970's. Meal purchase participation has been over 80% at the elementary schools and 60% at the high school. The vendor has maintained this participation by systematically gathering input and having a high quality, varied menu. The vendor offers a special food service day each month and has an advisory food service committee of parents, students and administrators that meets with the vendor twice per year to approve menus, discuss food service ideas and make suggestions.

Funding

School food services can be and should be operated in a manner that assures that no tax dollars are expended on the service. The insolvency of a Food Service Enterprise Fund is frequently obscured by Board contributions. In Passaic, the Food Service showed a net income of \$49,135

in 1993/94 but that income included a contribution of \$238,437 by the Board. It appeared that this pattern had been occurring for an extended period of time as the enterprise fund had a balance of \$862,631 that was simply being allowed to grow while significant property tax dollars were being expended on the service. Hamilton Schools showed a year end net income of \$317,290. In fact, the fund had lost \$744,602 as the Board supported the fund with a contribution of \$1,061,892. Because Hamilton's lunch prices are among the highest at \$1.70; \$1.85; and \$2.00 for elementary, middle and high school respectively, increasing prices is not an option.

A secondary revenue source is interest income. Because of the large amount of money flowing in and out of the enterprise fund it is important to manage the cash flow to optimize investments. LGBR recommended improved cash management in several of the School Districts. In Atlantic City improved cash management would increase food enterprise income by \$30,000 annually.

Costs

Food services require a significant investment in equipment, staffing and expendables such as food and supplies. A number of the School Districts reviewed continue to operate an in-house food service. Controlling expenses is critical to controlling the user fee charged and continuing to offer food service at a reasonable price. Typically, salary and benefit expenses make up more than half of the operating costs. Managing those costs through contract negotiations is critical. For example, it is reasonable to expect that food service workers be employed part time and not be eligible for benefits or overtime. In Atlantic City, LGBR identified savings of between \$191,088 and \$573,264 by not paying benefits to employees working less than 20 hours and/or raising the hours at which they will pay benefits as currently allowed by regulation.

Just as Board contributions obscure revenues, charging salaries to the general fund instead of the enterprise fund can serve to obscure actual costs of the service. At Atlantic City Schools, some of the operational salary costs were hidden because food service-related salaries were paid out of the general fund.

The amount of food items purchased also offers an opportunity for cost savings through bulk purchase and timely payment. In Passaic, bulk purchasing would produce at least \$30,000 in savings annually.

Benchmarks

Through its reviews and the analysis of existing contracts for school food service, the basic benchmark established by LGBR is that food service can and should be completely self supporting. Data provided in Table 8 compares meal costs and prices charged to provide schools with some benchmark information. Thus far, Lakewood Public Schools provides the best example and benchmark for competitively contracted food service delivery, because they:

- Have the lowest prices;

- generate an annual surplus while maintaining improvements and enhancing services;
- have high student participation of 60-80%; and
- solicit, in a systematic way, input from the community.

Overlap and Competition

According to the Statistical Abstract of the United States, based on the 1990 census, restaurant food sales exceed \$200 billion in the United States. It would follow that there are a large number of vendors and thus the reasonably high level of competition that would allow schools to successfully competitively contract food service. More than 200 New Jersey School Districts already receive food service from a private vendor.

Jamesburg's current contract allows for a deficit not to exceed \$23,479 for the 1994-95 school year. This financial loss could be attributed to the low volume of meals served to elementary school students. LGBR recommended that the next contract be written so that it would not allow a deficit. To resolve the problem caused by low enrollments, we suggested that they join with neighboring Monroe which currently contracts with the same company, to bid the service.

Regionalization should be considered after, or as part of, competitively contracting for food service. As in the situation with Jamesburg, volume may be so low that it could be difficult to get a contract that at least assures that the fund will break even. In Ventnor, the School District had increased its food service productivity by providing meals for Margate as well. This generated revenue of \$33,541, however, they still required Board support of \$28,000 for this operation. The Team recommended competitive contracting to try to make their food service self supporting.

In the LGBR review of Atlantic City and the Atlantic City Board of Education, the number of public agencies providing food services was noteworthy. Both Atlantic County and Atlantic City provided senior citizen meal services, while other agencies served the homeless and the Board of Education provided meals to the students. Our analysis called for the coordination of these efforts to improve the efficiency and lower the cost per meal for everyone.

This concept has been successfully implemented in two different ways in Piscataway Township. The Piscataway Office on Aging was able to address their problem of Meals on Wheels food costs rising to \$5.00 for each meal by leveraging the Meals on Wheels food preparation cost on the existing school meals contract with a private vendor. This brought the packaged meal cost down to \$3.25. Piscataway's Office on Aging has developed another agreement with the school Board which allows senior citizens to go to their neighborhood school for lunch at a cost of \$.75 to the senior and \$.75 to the Office on Aging. 60-80 meals are served each month. The same private vendor also provides the food for one special meal per month which attracts 120-160 seniors. The correlative benefit of this program is that the children and seniors are given an opportunity to socialize and get to know one another.

Table 8
School Food Services

District	Grade Configuration	Student Population	Food Program Operating Expenses	Cost per Meal	Profit (Loss)	# Meals	
						Breakfast	Lunch
Atlantic City	K-12	6,825	\$ 2,712,610	\$ 2.56	(\$479,206)	170,742	888,169
Bradley Beach	K-8	377	\$77,832	\$2.78	(\$22,000)		26,500
Camden	K-12	19,208	\$6,630,631	\$2.28	(\$5,459,201)	748,817	2,156,442
Downe	K-8	266	\$100,177	\$2.27	(\$65,306)	11,801	32,327
Hamilton	K-12	11,740	\$2,484,760	\$4.04	(\$1,292,347)		614,607
Jamesburg	K-8	497	\$143,265	\$3.51	(\$26,041)		40,817
Keansburg	K-12	1,834	\$526,601	\$2.59	\$349,314	2,491	200,805
Lakewood	K-12	5,047	\$1,415,197	\$0.57	\$100,000		504,000
Passaic	K-12	9,493	\$2,905,148	\$2.28	(\$189,365)		1,223,375
Ventnor	K-8	866	\$244,867	\$3.24	(\$13,384)		74,800
Willingboro	K-12	5,514	\$1,821,347	\$2.01	(\$327,066)		477,312

MANAGING SPECIAL EDUCATION SERVICES

Stakeholders

The stakeholders in this service area include children requiring special education, other children in the school, parents, the District's administration and staff and the community at large. The key is to balance the needs of all segments of the population to provide the best possible education to each child served by the School District at a reasonable cost.

Service

State and Federal regulations govern the delivery of special education services. For example, in 1993 Federal guidelines require the placement of no more than 20% of special education students in self-contained classrooms. At the same time, the State removed the cap on the tuition that could be charged for out-of-district students. Taken together these changes mean that out-of-district placements are becoming more and more costly and that the special education students in the District require a different configuration of services.

Special Education is a process that many students participate in at one time or another. For purposes of evaluating and identifying improvements, it can be broken into more manageable pieces -- identification, intervention, assessment, and the actual educational support. Responsibility for identification rests with the teachers and the parents. Schools are becoming more proactive and more successful in the area of intervention with the development of Pupil Assistance Committees (PACs). PACs are the product of the New Jersey Plan to Revise School Districts and are now in various stages of implementation and refinement. Assessment and oversight of the educational support rests with Child Study Teams (CSTs). The actual educational support can be provided in a variety of ways including: Informal intervention; in-classroom support; 504 plans; self-contained, in-district classes; and out-of-district placement.

Funding

Under the New Jersey Quality Education Act, which is currently in effect but will be revised, special education aid for a District is calculated as an amount in addition to State foundation aid. The special education aid is calculated by multiplying the number of students enrolled in each of the 25 special education categories by the cost factor for each category. The per student cost factors range from .0025 for home instruction to 2.79 for visually handicapped. The median cost factor is 1.03.

Costs

Knowing the full costs of special education service delivery alternatives and the comparative educational and financial value of providing special education services is especially critical to making the correct decision about the service delivery configuration. Knowing all of the costs related to personnel, administration and overhead is important but more critical is an understanding of the relationship between the cost of each service delivery system. The types of data that are useful for comparing service delivery configurations include:

- Child Study Team costs per case;
- per child cost for in-classroom support; and
- per child cost for a self contained program

Using this data, Districts can then analyze the point at which classroom support costs exceed self-contained costs and the point at which out-of-district costs exceed self-contained costs.

Benchmarks

Table 9 summarizes, for purposes of comparison, the characteristics of Special Education programs in the Districts reviewed to date. A District's primary benchmark for costs of special education services would be its own per pupil cost. If out-of-district tuition is higher than the in-district cost to accommodate and educate special education students appropriately, in the District's judgment, then the District should pursue an in-district placement. If parents oppose this decision, the District needs to analyze the cost of pursuing its position in combination with the cost of educating the student. This needs to be done for each case through each step of the appeal process -- from DOE mediation, to Division of Administrative Law settlement, through a final Administrative Law Judge decision, if necessary.

Jamesburg Schools provide us with the best benchmark to date for the use of Pupil Assistance Committees (PACs) for intervention and the creative use of resources for identification of learning issues. The Resource Room Teacher and the Kindergarten Teacher team teach one hour per day and thus both are able to identify learning issues early and intervene as necessary. The use of the PAC has been very successful with intervention plans developed for 20 children over a two year period. Of those 20, at the end of the second year only three were referred to the Child Study Teams for evaluation and 17 were successfully continuing their education.

Overlap and Competition

The New Jersey system of education and method of providing for special education needs has produced a great deal of overlap and redundancy. While there are many special education providers, the most cost efficient solution is usually to return the students to their home district for their education. Between the 1991 and 1995 school years, Lakewood will have saved a total of \$753,618 by returning 44 students to the District. This averages \$17,128 per child returned to

the District. In most cases, the review process has identified in-District opportunities for students currently transported out of district.

In very small School Districts, regionalization may offer an appropriate and cost effective solution. Downe Township has developed Special Education Services within its District and made them available to other School Districts. By developing a regional special education program, Downe has successfully addressed the needs of its students while expanding its student population and spreading its administrative costs over a larger base. Child Study Teams may also become less costly on a per case basis, with a greater regional case load.

Table 9
Special Education Services
1994-1995

District	Grade Configuration	Student Enrollment	Special Education Out of District Costs		Special Education In District		Students Served		Number of Child Study Teams		Classified Students per CST	
			In District Costs \$	Transportation	Tuition	Total	In District #	\$ Per	Out of District #	\$ Per		
Atlantic City	K-12	6,584	\$2,048,671	\$454,631	\$2,035,807	\$2,490,438	709	\$2,890	109	\$ 22,848	4	205
Ventnor	K-8	1,104	\$313,695	\$56,203	\$161,112	\$217,315	73	\$4,297	5	\$ 43,463	1	78
Willingboro	K-12	5,796	\$3,414,585	\$338,079	\$826,704	\$1,164,783	485	\$7,040	78	\$ 14,933	4.6	122
Camden	K-12	20,177	\$12,017,235	\$0	\$10,221,708	\$10,221,708	2533	\$4,744	270	\$ 37,858	18	156
Downe	K-8	267	\$707,747	\$60,874	\$160,451	\$221,325	109	\$6,493	8	\$ 27,666	1	117
Hamilton	K-12	11,977	\$6,439,021	\$1,975,649	\$1,575,483	\$3,551,132	1189	\$5,415	152	\$ 23,363	11	122
Jamesburg	K-8	684	\$317,505	\$192,193	\$646,730	\$838,923	74	\$4,291	23	\$ 36,475	0.5	194
Bradley Beach	K-8	521	\$406,451	\$213,825	\$658,486	\$872,311	86	\$4,726	36	\$ 24,231	1	122
Keansburg	K-12	1,890	\$1,110,341	\$341,384	\$1,348,248	\$1,689,632	279	\$3,980	46	\$ 36,731	2.5	130
Lakewood	K-12	5,263	\$3,846,405	\$1,283,296	\$2,690,057	\$3,973,353	649	\$5,927	118	\$ 33,672	4	192
Passaic	K-12	9,970	\$3,578,485	\$1,725,570	\$6,055,176	\$7,780,746	755	\$4,740	242	\$ 32,152	7	142

MANAGING FACILITIES MAINTENANCE AND CUSTODIAL SERVICES

Stakeholders

Both general building maintenance and custodial services affect the quality of life of the students, the employees and the school's neighbors. In Lakewood, the administration believed that as the upkeep of the school improved, the amount of vandalism and graffiti decreased. With brighter lights and clean walls, the students felt better about being in the school. It is not uncommon for facilities maintenance and custodial services to be reduced as the product is less tangible; the people most affected -- the students -- can be oblivious to deterioration in the facility; and the Building Administrators and Teachers are frequently more consumed with educational issues. The taxpayers' stake in the condition of facilities is a long range issue and thus somewhat removed. When the facilities deteriorate significantly, they lose value, cost more to repair, or create a safety liability. The custodial and maintenance staff, in a fashion similar to their food service counterparts, are also stakeholders who may live in the School District and vote in school elections.

Services

The insulated nature of the custodial and maintenance service requires that standards of quality be developed, implemented and enforced. The service is significant because of the level of use and volume of traffic in the building. The only significant variable in the definition of custodial and maintenance service, as it is delivered within a school district, is quality. The quality of custodial and maintenance service should be established at a level that will preserve the capital invested in the facilities and create a positive environment for the students. A high quality cleaning and maintenance program should include such initiatives as a regular preventive maintenance and capital replacement program, a routine review of facilities and equipment to assure use of state-of-the-art technology and energy conserving systems. The best example of a comprehensive maintenance and custodial program seen by the Review Teams was in Lakewood Public Schools which began its first four-year contract for a comprehensive package of facilities service in the beginning of the 1992 school year. The services include:

- Developing a five-year facility maintenance plan
- Developing a landscape plan
- Designing a corrective maintenance and work order system which included inventory and project tracking and scheduling
- Completing a roof analysis
- Compiling and indexing blueprints and facilities engineering manuals,

As part of the five-year facility maintenance plan, the contractor recommended major HVAC and lighting renovations and facilitated an agreement between a utility and Lakewood Schools that

provides for financing of the improvements through the savings to be accrued over a seven year period.

Funding

There is little flexibility in the funding of maintenance and custodial services. One exception is financing improvements for lighting and HVAC systems through the resulting costs savings. In addition to Lakewood, Hamilton Schools found that the "Green Light" program, which was financed through guaranteed savings is expected to achieve:

- 40% reduction in energy consumption for lighting to produce a savings of \$400,000;
- reduced maintenance;
- reduced variety of bulbs from 80 to 6; and
- improved lighting.

Costs

Facilities maintenance and custodial services costs are largely driven by staffing costs. The public employee-driven per square foot maintenance and custodial services costs identified by the team ranged from \$1.82 to \$5.67 per square foot. Atlantic City Schools has the highest per square foot cost identified to date and the findings included:

- They are overstaffed by 25 people according to the Factoring Formula (See Appendix G) at a cost of \$1.5 million in salaries and benefits;
- shift premiums increased costs by a total of \$50,685;
- minor repairs were performed by outside contractors because staff lack technical expertise; and
- excessive sick leave was used resulting in \$222,000 in overtime and substitute pay.

Competitively contracted custodial and maintenance services in New Jersey municipalities and schools have been observed to cost significantly less than in-house services. Successful competitively contracted maintenance and custodial services have also provided for the establishment of systems for preventive maintenance and appropriate supervision at lower costs.

Benchmarks

The LGBR reports have used the range of the price per square foot of other New Jersey municipal and school competitively bid maintenance and custodial service contracts as a benchmark. In the Keansburg study, the average cost per square foot of other School Districts in the same geographic region was used as a benchmark. Either tool is certainly appropriate and reflects an understanding of the value of defining the work to be performed, the standards to be measured and the need to measure that cost. Lakewood Public Schools' contract described earlier provides an excellent example and benchmark for services provided.

Overlap and Competition

LGBR has found that competitively contracting for building maintenance and custodial services can be very successful when the private sector offers lower prices and greater expertise. Lakewood schools provide an excellent example of the success of competitive contracting for custodial and maintenance services.

The reviews have, however, identified examples of poorly executed contracts for building maintenance and custodial services. In Jamesburg schools, the contract for custodial and maintenance service was sold, traded or bought four times over a five-year period. The result was inconsistent performance of the contracted services. The School District was remiss in its failure to enforce the contract. A solution for the Jamesburg School District may be to share the service with the municipality in order to offer vendors a larger unit of service to bid on and retain. This example highlights the importance of contracting authorities taking responsibility for administering and monitoring contracts for services.

In Keansburg the custodial and light maintenance services cost \$3.88 per square foot including District and contractor expenses. The average cost per square foot for full service contracts in the Ocean-Monmouth County area were as low as \$1.82. A significant cost component proved to be the fact that Keansburg continued to purchase materials and services covered by the contract. Better contract management and an understanding of the current market for the services will enable Keansburg to contract more effectively in the future.

APPENDICES

APPENDICES

Appendix A: Local Government Budget Review Municipal Findings

Finding	District	Savings	Method of Savings
Revenue Collection	Keansburg	102,000	Adjust "other expense" budgets
Revenue Collection	Keansburg	7,334	Adjust ABC Fees
Revenue Collection	Keansburg	1,900	Adjust Other Fees
Revenue Collection	Keansburg	68,000	Adjust Tax Collection Rate
Banking & Investment Income	Bradley Beach	24,000	Aggressive Cash Management
Banking & Investment Income	Camden	152,729	Aggressive Cash Management
Banking & Investment Income	Downe Twp.	1,800	Aggressive Cash Management
Banking & Investment Income	Jamesburg	38,152	Aggressive Cash Management
Banking & Investment Income	Keansburg	30,000	Aggressive Cash Management
Banking & Investment Income	Kearny	75,000	Aggressive Cash Management
Banking & Investment Income	Lakewood	72,928	Aggressive Cash Management
Banking & Investment Income	Ventnor	112,000	Aggressive Cash Management. Sewer & Water Utility
Banking & Investment Income	Lakewood	142,500	Aggressive Cash Management. - Municipal Court
Tax Collection	Bradley Beach	157,500	Aggressive Collection - 2%
Tax Collection	Kearny	325,000	Aggressive Collection of Delinquent Taxes
Revenue Collection	Passaic	713,180	Aggressive Management of Delinquent Fines Municipal Court
Recreation	Ventnor	12,000	Better Utilization of Assets
Finance	Keansburg	188,000	Cancel Unused Appropriations
Public Works	Camden	47,000	Change in Street Sweeping Operations
Fire Dept.	Passaic	287,490	Civilian Replacement of Uniformed Personnel & Reduce Overtime
Fire Dept.	Camden	35,100	Civilian Replacement of Uniformed Personnel
Senior Services	Jamesburg	45,125	Close Underutilized Sr. Center
Tax Collection	Downe Twp.	128,783	Collection of Delinquent Taxes
Revenue Collection	Downe Twp.	12,000	Collection of Misc. Revenue
Revenue Collection	Camden	128,000	Collection of Past Due Rent
Public Works	Camden	709,770	Collection of Prior Board-Up Revenue
Public Works	Camden	2,379,726	Collection of Prior Demolition Revenue
Public Works	Kearny	340,000	Competitive Contract
Maintenance	Willingboro	34,275	Competitive Contract
Public Works	Passaic	749,655	Competitive Contract & Staff Reductions
Public Works	Camden	151,655	Competitive Contract of Demolition
Condominium Services Act	Lakewood	200,000	Consistency of Services
Public Works	Camden	21,934	County Reimbursement for Street Sweeping
Personnel Policies	Keansburg	16,600	Delete Council Benefits
Personnel Policies	Jamesburg	1,400	Eliminate Long Pay
Personnel Policies	Lakewood	40,000	Eliminate Supplement

Finding	District	Savings	Method of Savings
Personnel Policies	Camden	15,000	Eliminate Title Variant - Police
Personnel Policies	Lakewood	69,062	Eliminate Title Variant
Social Service Agencies	Camden	53,900	Eliminate Cash Contributions
City Clerk	Camden	15,265	Eliminate Duplicate Advertising
Personnel Policies	Camden	1,684,450	Eliminate Longevity Pay
Personnel Policies	Camden	2,688	Eliminate Longevity Payment
Personnel Policies	Camden	100,000	Eliminate Severance Pay
Personnel Policies	Keansburg	60,000	Eliminate Sick Leave Buy Back
Personnel Policies	Camden	500,000	Eliminate Terminal Leave
Public Assistance	Downe Twp.	406	Elimination of Balance in PATF I
Public Assistance	Keansburg	55,300	Elimination of Balance in PATF I
Public Assistance	Kearny	313,000	Elimination of Balance in PATF I
Public Assistance	Ventnor	19,700	Elimination of Balance in PATF I
Public Assistance	Willingboro	2,700	Elimination of Balance in PATF I
Tax Assessor	Camden	87,500	Elimination of Contract for County Tax Appeals
Tax Assessor	Camden	47,000	Elimination of Improper Tax Exemptions
Revenue Collection	Camden	157,000	Elimination of Lien Compilation Contract
Revenue Collection	Camden	460,000	Elimination of Tax Cancellations by Resolution
Personnel Policies	Camden	64,942	Enforce Health Benefit Agreement w/Parking Authority
Revenue Collection - Police	Camden	38,400	False Alarm Fine Assessment
Library	Lakewood	83,445	Fee Increase & Regionalization w/County
Personnel Policies	Camden	1,751,000	Health Benefit Cost Containment
Personnel Policies	Lakewood	116,800	Health Ins. Coverage to Ineligible Employees & Retirees
Police & Fire	Kearny	1,000,000	Incorporate. of Other Report's Recommendations
Tax Collection	Ventnor	202,000	Increase Collection Rate by 1%
Tax Collection	Willingboro	245,000	Increase Collection Rate by 1%
Public Works (Water & Sewer)	Bradley Beach	35,335	Increase Collection Rate by 5%
Building Permit Fees	Bradley Beach	11,500	Increase Fees
Code Inspection	Jamesburg	20,294	Increase Fees
Beach Front Operations	Ventnor	180,000	Increase Fees
Emergency Medical Services	Lakewood	200,480	Increase Fees and Collection
Library	Jamesburg	500	Increase Fines & Fees
Public Works	Camden	198,900	Increase Parking Fines
Revenue Collection	Keansburg	19,100	Increase Parking Meter Revenue
Tax Collection	Passaic	1,042,415	Increase Tax Coll. Rate 3% Cur.; 10% Delinquent
Personnel Policies	Kearny	350,000	Increase Workweek & Staff Reduction
Revenue Collection	Camden	50,000	Interest Earned from Tax Sales
Finance	Keansburg	30,550	Modify Insurance Plans
Revenue Collection	Keansburg	3,400	PILOT Collection
Public Works	Camden	399,942	Recycling Staff Reduction & Increase Recycling Participation
Library	Passaic	400,000	Reduce Budget Allocation & Staff Reductions
Personnel Policies	Keansburg	52,000	Reduce Police Vacation
Public Works	Camden	106,196	Reduce Sick Time Abuse
Recreation	Willingboro	140,000	Reduce Subsidy - Increase Fees
Fire Dept.	Camden	1,300,000	Reduce Unnecessary Overtime

Finding	District	Savings	Method of Savings
Engineering	Lakewood	42,000	Reduction in Duplicated Salary Payments & Contracts
Fleet Management	Camden	90,000	Reduction in Outside Vendor Maintenance
Code Inspection	Bradley Beach	3,000	Regionalization
Code Inspection	Lakewood	213,549	Regionalize w/County
Library	Willingboro	491,442	Regionalize w/ County
Fire Dept.	Camden	125,000	Relocate Engine Company
Public Works	Lakewood	452,219	Reorganize & Competitive Contract
Police	Lakewood	100,000	Reorganize & Span of Control
Housing	Camden	59,175	Revenue from Proposed Resale Ordinance
Tax Assessment	Jamesburg	8,400	Review PILOT Program w/Housing Authority.
Municipal Assets	Downe Twp.	15,000	Sale of Foreclosed Property
Police	Passaic	445,000	Sell Excess Equip Red Overtime; Utilize Civilian Personnel
Fire Dept.	Bradley Beach	50,000	Sell Excess Fire Equipment (not being used)
Municipal Assets	Bradley Beach	132,365	Sell Off Extra Land & Vehicles & Change Insurance Coverage
Finance	Passaic	133,239	Staff Reduction. & Absorb. of Interest Income
Mayor's Office	Camden	67,555	Staff Reduction
Mayor's Office	Camden	47,355	Staff Reduction
Purchasing	Camden	58,522	Staff Reduction
Telecommunications	Camden	52,000	Staff Reduction
Tax Office Staffing	Kearny	65,000	Staff Reduction
Legal	Lakewood	78,629	Staff Reduction
Fire Dept.	Ventnor	167,000	Staff Reduction
Police	Camden	60,000	Staff Reduction (Crossing Guards)
Personnel Policies	Keansburg	150,000	Staff Reductions
Purchasing	Kearny	125,000	Streamline & Update Process
Revenue Collection	Camden	814,520	Tax Revenue from Unsupported Abatements
Clerk Fees	Passaic	22,300	Update Fee Schedule.
Personnel Policies	Downe Twp.	9,148	Use School Rates in Interlocal Agreement
Fleet Management	Camden	301,000	Use State Contract for Purchase
Municipal Assets	Jamesburg	119,700	Vacant Land Sale
Police	Willingboro	20,000	Vehicle Maintenance by Civilian Instead of Uniform
Public Works	Camden	132,745	Workweek Productivity Enhancement
TOTAL SAVINGS		23,888,569	

Appendix B: Local Government Budget Review Board of Education Findings

Finding	District	Savings	Method of Savings
Administration	Ventnor	117,500	Staff Reduction- Principal
Administration	Willingboro	73,340	Staff Reduction
Administration - Business Office	Ventnor	30,000	Merging Office w/City's
Administration - Business Office	Willingboro	141,100	Staff Reduction
Administration - High School	Hamilton	116,850	Staff Reduction - 3 Vice Principals
Banking & Investment	Keansburg	145,684	Close Capital Account
Banking & Investment Income	Atlantic City	493,951	Aggressive Cash Management
Banking & Investment Income	Bradley Beach	5,000	Aggressive Cash Management
Banking & Investment Income	Hamilton	68,245	Aggressive Cash Management
Banking & Investment Income	Jamesburg	9,200	Aggressive Cash Management
Banking & Investment Income	Keansburg	33,151	Aggressive Cash Management
Banking & Investment Income	Lakewood	25,395	Aggressive Cash Management
Banking & Investment Income	Passaic	160,000	Aggressive Cash Management
Banking & Investment Income	Willingboro	10,300	Aggressive Cash Management
Banking & Investments	Keansburg	1,500	Interest Bearing Account for Food Service
Board Education. Expenses	Willingboro	15,000	Reduction of Waste
Computer & MIS Technology	Hamilton	339,500	Staff Reduction
Computer & MIS Technology	Lakewood	115,000	Competitive Contract
Computer & MIS Technology	Willingboro	90,000	Staff Reduction
Contract Management	Atlantic City	21,000	Better Management of Consultant Contracts
Contract Management	Atlantic City	150,000	Eliminate Solicitor Contract & Hire Full Time Attorney
Contract Management	Keansburg	62,000	Include Supplies in Bids
Custodial & Maintenance Costs	Atlantic City	1,071,935	Competitive Contracting or Staff Reduction
Custodial & Maintenance Costs	Downe	4,405	Share Trash Service with Twp.
Custodial & Maintenance Costs	Jamesburg	75,411	Competitive Contract
Custodial & Maintenance Costs	Keansburg	296,000	Competitive Contract
Custodial & Maintenance Costs	Passaic	754,000	Competitive Contract
Custodial & Maintenance	Downe	3,250	Share Landscaping Service with Twp.
Custodial Operations	Downe	61,950	Competitive Contract
Custodial Operations	Hamilton	2,000,000	Competitive Contract
Custodial Operations	Ventnor	56,700	Competitive Contract
Custodial Operations	Willingboro	666,016	Competitive Contract
Drivers Education	Atlantic City	13,500	Eliminate Behind the Wheel Program
Drivers Education	Hamilton	161,520	Scale Back Program
Facilities Management	Bradley Beach	-	Green Lights
Facilities Management	Hamilton	451,900	Close 2 Schools & Eliminate 2 Principals
Facilities Management	Keansburg	531,250	Better Utilization of Capacity
Facilities Management	Keansburg	18,000	Relocate Administration Offices
Facilities Management	Passaic	195,000	Green Lights - 30% Savings
Finance	Keansburg	416,300	Adjust Surplus
Food Services	Atlantic City	353,408	Competitive Contracting or Staff Reduction

Finding	District	Savings	Method of Savings
Food Services	Bradley Beach	22,000	Competitive Contract
Food Services	Downe	65,306	Competitive Contract
Food Services	Hamilton	1,061,892	Competitive Contract
Food Services	Keansburg	10,000	Increase Prices on Food
Food Services	Ventnor	40,000	Competitive Contract
Food Services	Willingboro	459,312	Competitive Contract
Food Services(Local Management)	Passaic	659,000	Better Admin. of Program
Guidance	Hamilton	175,300	Staff Reduction
Maintenance	Hamilton	149,500	Competitive Contract
Medical Services	Atlantic City	16,000	Competitive Contracting
Personnel Policies	Atlantic City	107,439	Employee Contributions to Health Care
Personnel Policies	Atlantic City	44,232	Reduce Sick Time
Personnel Policies	Atlantic City	10,000	Tighter Scrutiny of Credit Card Expenditures & Cell Phone Usage
Personnel Policies	Atlantic City	20,000	Tighter Scrutiny on Professional Travel
Personnel Policies	Bradley Beach	25,000	Eliminate Longevity Payments
Personnel Policies	Hamilton	460,477	Renegotiate Contracts to Reduce Long, Sick Pay, & Increase Copay
Personnel Policies	Jamesburg	9,100	Eliminate Longevity Payments
Personnel Policies	Keansburg	121,140	Eliminate Duplicate Coverage Payment Incentive
Personnel Policies	Keansburg	332,500	Modify Insurance Program and Institute Copay
Personnel Policies	Lakewood	6,000	Elimination of Workers Comp. Supplement
Personnel Policies	Lakewood	158,000	Institute Copay
Personnel Policies	Passaic	1,171,000	Aggressive Sick Leave Enforcement. & Red. in Long. Automate payroll
Personnel Policies	Willingboro	242,000	Eliminate. Longevity Payments
Revenues - Community School	Lakewood	140,210	Pricing to Cost of Service
Revenues - Receiving District	Atlantic City	124,562	Aggressive Collection of Accounts Receivable
Security	Willingboro	50,000	Staff Reduction
Special Education & Trans. Costs	Passaic	2,039,300	Maximize Program Utilization & Eliminate Courtesy Busing
Special Education	Atlantic City	45,845	Better Utilization of Capacity
Special Education	Bradley Beach	210,000	Maximize Program Utilization
Special Education	Keansburg	120,000	Better Utilization of Capacity
Staffing & Organizational Relationships	Atlantic City	252,205	Reduce Teaching Staff by 6 Teachers
Staffing & Organizational Relationships	Atlantic City	1,627,139	Staff Restructure & Reduction
Staffing & Organizational Relationships	Passaic	584,000	Staff Reduction
Transportation	Atlantic City	90,000	Consolidation of Existing Routes
Transportation	Hamilton	463,404	Courtesy Busing Reduction
Transportation	Keansburg	95,700	Charge for Optional Bus Services. & Eliminate. of Non Public Busing
Transportation	Lakewood	342,403	Courtesy Busing Reduction
Transportation	Ventnor	100,000	Courtesy Busing Reduction
Transportation	Willingboro	68,417	Increase to a 40 hour Workweek
TOTAL SAVINGS		21,072,644	

Appendix C
Municipalities
Reviewed by
Local Government
Budget Review

Municipality	Report Date	Population 1990	Square Miles	Density	Character	Form of Government	Budget	State Aid	Tax Revenues	Savings Total
Atlantic City	Mar-95	37,986	5.32	7,140	Resort	Mayor Council	\$135,770,606	\$9,801,193	\$89,993,342	\$11,136,162
Bloomfield	Jun-96	45,061	5.32	8,470	Urban	Special Charter	\$32,406,268	\$7,510,028	\$21,763,826	N/A
Eradley Beach	May-95	4,475	0.95	4,711	Beach	Borough Council	\$4,643,170	\$957,232	\$2,546,734	\$363,700
Camden	Jan-96	87,492	8.82	9,920	Urban	Mayor Council	\$90,857,585	\$24,761,946	\$21,517,395	\$11,813,074
Downe	Dec-95	1,702	54.70	31	Rural	Township Committee	\$886,984	\$274,486	\$111,240	\$167,137
Jamesburg	Sep-95	5,300	0.89	5,955	Urban	Borough Council	\$2,410,092	\$547,931	\$1,428,583	\$245,169
Keansburg	Dec-95	11,069	1.07	10,345	Urban	Council Manager	\$8,820,234	\$1,107,301	\$3,801,473	\$737,684
Kearny	Nov-94	34,874	9.14	3,816	Urban	Town	\$45,252,259	\$20,046,737	\$5,325,170	\$2,593,000
Lakewood	Feb-95	45,048	24.82	1,815	Urban	Township Committee	\$26,838,992	\$6,501,873	\$16,426,400	\$1,811,612
Passaic	Dec-94	58,041	3.10	18,723	Urban	Mayor Council	\$58,325,416	\$8,009,589	\$31,135,994	\$3,793,279
Ventnor	Nov-94	11,044	2.14	5,161	Beach	Commission	\$13,110,000	\$883,282	\$7,571,079	\$580,700
Willingboro	Dec-94	36,291	7.70	4,713	Urban	Council Manager	\$18,619,000	\$4,424,674	\$9,320,010	\$986,067
Total		380,373	124	80,799	-	-	\$437,940,606	\$84,826,272	\$210,941,246	\$34,227,584
Average		29,534	11.33	6,519			\$26,976,373	\$6,751,505	\$9,918,408	\$2,309,142
Median		22,972	5.40	4,937			\$15,864,500	\$2,765,988	\$6,448,125	\$861,876

Appendix D
Boards of Education
Reviewed by
Local Government Budget Review

1994-95 Reconciliation
NJ DOE
Comparative Spending Guide Data

District	Grade Configuration	# of Buildings	Student Population	FUND	TOTAL COST PER PUPIL					
					93-94		94-95		95-96	
				\$	RANK	\$	RANK	\$	RANK	
Atlantic City	K-12	11	6,825	\$ 55,707,313	\$ 6,411	13/81	\$ 7,435	42/81	\$ 7,839	50/81
Bradley Beach	K-8	1	377	\$ 5,041,376	\$ 7,152	43/74	\$ 7,639	52/74	\$ 7,790	49/74
Camden	K-12	33	19,909	\$ 183,472,230	\$ 7,623	53/81	\$ 8,243	63/81	\$ 8,165	62/81
Downe	K-8	3	266	\$ 3,436,276	\$ 9,416	63/68	\$ 9,837	63/68	\$ 10,093	62/68
Hamilton	K-12	23	11,740	\$ 94,603,076	\$ 7,116	40/81	\$ 7,038	29/81	\$ 7,023	23/81
Jamesburg	K-8	2	497	\$ 5,426,349	\$ 5,925	14/74	\$ 5,741	7/74	\$ 5,640	5/74
Kearnsburg	K-12	4	1,834	\$ 14,949,799	\$ 7,109	31/71	\$ 6,954	22/71	\$ 7,224	27/71
Lakewood	K-12	6	5,047	\$ 43,251,802	\$ 6,967	31/81	\$ 7,088	32/81	\$ 7,170	27/81
Passaic	K-12	12	9,493	\$ 78,348,146	\$ 6,977	32/81	\$ 7,006	28/81	\$ 7,611	41/81
Ventnor	K-8	1	866	\$ 7,754,694	\$ 5,307	8/85	\$ 5,361	11/85	\$ 5,637	8/85
Willingboro	K-12	9	5,514	\$ 49,058,756	\$ 7,732	57/81	\$ 8,160	62/81	\$ 7,957	57/81

Appendix E: Electrical Energy Efficiency

LGBR found that local government participation in improving electrical energy efficiency is relatively low. A local vendor indicates about 12 local government entities participate in their offerings for large consumers and they are unsure how many local governments participate in their efforts for smaller organizations. In addition, the Board of Public Utilities (BPU) surveyed all local governments in New Jersey to see if they were interested in learning techniques on how to analyze potential savings from improvements in electrical energy efficiency. Only 20% initially responded, and after a presentation, only 5% of the respondents requested any follow up information. The BPU operated a Federal program called Institutional Conservation that gave resources to schools and hospitals for energy efficiency improvements, but funding was eliminated this year. The Director indicated that the program received about 24 applications per year and they currently provide funds to nine School Districts with a total of 16 schools. The Federal Environmental Protection Agency (EPA) also offers assistance to State, County and local governments for improving electrical efficiency. This program is call "Green Lights." Only about 60 local governments throughout the United States participate in this program. Two are located in New Jersey.

The Team's discussions with Federal, State, local and private organizations involved in energy efficiency improvements also suggest that this limited participation is probably due to the complexities involved, the lack of information on sources of help, and the relatively low priority given to improving energy efficiency.

Information and Technical Assistance

Information and technical assistance is available to local governments to improve electrical energy efficiency. The following list provides some sources of assistance:

- Energy Vendors - references may be obtained from the various organization listed below.
- The General Services Administration (Energy Programs Office) is responsible for improving electrical energy efficiency for the State and helping local government by providing limited technical assistance and allowing them to purchase energy efficient traffic light bulbs, as well as exit sign retrofit kits under State Contract. This energy efficient equipment significantly improves electrical energy efficiency at minimal costs. Contact: Brian Topper (609) 777-1062.
- Two county governments apparently help local governments improve energy efficiency within their jurisdictions. These are Burlington County and Mercer County. In addition to technical assistance, Mercer County obtains financing for these efforts. Contact: Burlington County: Jeanne Culp (609) 265-5202; Mercer County: James T. Naples (609) 989-6505.
- The Federal Environmental Protection Agency operates a program called "Green Lights" that provides extensive information on improving electrical energy efficiency. Hotline number is (202)775-6650.

- The New Jersey Department of Environmental Protection is currently developing a system that may provide additional incentives to those already noted for energy efficiency improvements. The system registers organizations that voluntarily improve energy efficiency, verifies these reductions, awards credits for these improvements, and permits the recipient to sell them in the private market place. These credits are referred to technically as "Discrete Emission Reduction Credits." The precise value of these credits will be determined in the future by the marketplace. It is important to note that the rules will require applicants to document their energy reductions according to specific standards established by recognized professional organizations knowledgeable about air quality. Contact: Sandra Chen (609) 777-1345.
- Municipalities that have experience with energy audits and improvement plans are good sources of information. The three identified through LGBR efforts are: Bloomfield, Hamilton Public Schools (609) 890-3720 and Lakewood Public Schools.
- A group of small municipalities and a small School District have joined together and are participating in a program designed for large governmental organizations. This group is called the Municipal Shared Services Coalition of Camden County and includes Barrington Borough and School District, Haddonfield Borough, Haddon Heights Borough, Collingswood Borough and Haddon Township. Contact: Donna Condo (609) 547-0706.

The Department of Mechanical and Aerospace Engineering at Rutgers University maintains an Office of Industrial Productivity and Energy Assessment. This Office provides assistance to government, business and other entities on energy, waste and pollution prevention and productivity issues. For example, for a fee they will complete energy audits and provide technical assistance. In addition, they have submitted an application to the Board of Public Utilities to provide grants to 50 New Jersey municipalities to improve their electrical energy efficiency. If this grant is approved, municipalities will be notified and given an opportunity to apply. The contact person is Peter Polomski, (908) 445-5540.

Appendix F: Beat Patrol Analysis

Beat Patrol Analysis provides an accurate and yet rough estimate of the appropriate staffing level *assuming that the number and staffing of beats is appropriate.*

- A. Determine how many hours each officer actually works.
 1. Identify the number of days and hours in one cycle of work.
 2. Add the days on and days off together and divide into 365 to determine the number of cycles in a year.
 3. Take the number of hours worked in a cycle and multiply by the number of cycles in a year.
 4. Subtract the average number of hours not at work, including: Sick, vacation, personal, jury duty, bereavement; training, workers' comp, etc.
 5. The result is total number of hours a Patrol Officer works each year.
- B. Determine how many staff hours are required to cover the beats.
 1. Multiply the number of beats times the number of Patrol Officers times 24 hours in a day
- C. Determine the number of Patrol Officers required.
 1. Divide B1 by A5.

Example

A Police Department has a schedule of four eight-hour days on and two off. Ten beats with one Police Officer in each car; three bicycle/walking beats.

Average sick, vacation, bereavement training etc., is 160 hours.

- A1. $4+2 = 6$ days in each cycle $4 \times 8 = 32$ hours worked per cycle.
 2. $365/6 = 60.83 = 61$ cycles in each year.
 3. $32 \times 61 = 1,952$.
 4. $1,952 - 160 = 1,792$
 5. Total number of hours worked per officer per year = 1,792.
- B1. $13 \text{ beats} \times 24 \text{ hours} \times 365 \text{ days} = 113,880$ hours needed.
- C1. $113,880/1,792 = 63.55 = 64$ officers needed to cover the schedule.

Appendix G: Factoring Formula for Custodial and Maintenance Services

The factoring formula is based on the acceptance of ratios between custodial and maintenance staffing and the number of teachers (1:8); the building size (1:15,000); and building attendance (1:25). It also assumes that the three factors are of equal importance. LGBR has found the formula to support intuitive conclusions.

- A) # Teachers divided by 8.
- B) Gross Building Area divided by 15,000.
- C) Average Building Attendance divided by 25.
- D) Factorial Sum (A+B+C).
- E) Divide Factorial Sum by 3 = # of Custodians Required.
- F) Compensate for age of buildings and other factors affecting maintenance.

Atlantic City Example

500/8	=	62.50
1,200,000/15,000	=	80.00
700/25	=	28.00
Factorial Sum	=	170.50
Divide by 3	=	56.83
Adjust for age of bldg. (33%) 1.33 * 56	=	75.

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