

LUARCC

Local Unit Alignment, Reorganization
and Consolidation Commission

March 2009 Report *"A Quest for Efficiency in Local Governance"*



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EXECUTIVE SUMMARY

The Local Unit Alignment, Reorganization, and Consolidation Commission (LUARCC), established under P.L.2007, c.54, is required to submit to the Governor and Legislature a preliminary report of its findings within two years following the effective date of that act (refer to subsection 5a., compiled at N.J.S.A.52:27D-505). This report is submitted to the Governor and the Legislature in fulfillment of that charge and covers the period beginning in April 2008 when LUARCC met for the first time.

The need to help municipalities find innovative ways to economize never has been more relevant than in today's economy. A global recession has made it even harder for state officials to supplement local tax dollars with state funds. Moreover, greater frugality by local officials helps alleviate a property tax burden that weighs heavily on many New Jersey taxpayers.

Among the initial responsibilities assigned to LUARCC was to report on the appropriate allocation of service delivery responsibilities from the standpoint of efficiency. The Commission has undertaken a detailed examination of municipal service delivery starting with public health, emergency communications, and administration of justice given the fundamental role the State plays in overseeing the delivery of these services.

In addition, the Commission engaged the School of Public Affairs and Administration (SPAA) at Rutgers, Newark, to survey available research regarding the optimal size of municipalities and service delivery areas, what constitutes efficiency in service delivery and the costs and benefits of consolidation.

Optimal Municipal Size

Among the questions Rutgers was asked to address was the optimal size of a municipality from the standpoint of efficiency. Its findings were inconclusive. While much has been written on the general subject of consolidation, there is a noticeable lack of work done with respect to small municipalities, hundreds of which exist in New Jersey. There may be a population size which holds the most promise for cost-efficient service delivery; however, its parameters are debatable.

Cost-effectiveness of Consolidation

The literature suggests caution in drawing simple conclusions about the cost-efficiencies to be gained through consolidation. A study focusing on the organizational and personnel effects of the Athens-Clarke County, Georgia consolidation found that the efficiencies identified in the study appeared to be derived from the political climate to cut spending and not from efficiencies achieved by merging the two governments¹.

Testifying before the Joint Committee on Government Consolidation and Shared Services Committee on September 6, 2006, Enid Slack noted that costs had actually risen since the amalgamation in Toronto, probably due to increasing salaries to the level of the highest paying municipality².

¹ See Stephen E. Condrey, "Organizational and Personnel Impacts on Local Government Consolidation; Athens-Clarke County, Georgia," *Journal of Urban Affairs*, Volume 16, Number 4, 1994, pages 371-383.

² A copy of that testimony is available at www.njleg.state.nj.us/PropertyTaxSession/OPI/jcgo090606.pdf.

The Commission continues its attempts to identify the ideal population threshold below which municipalities are inefficient. It is led by the research and experience, however, to follow a parallel path in examining service delivery options that might achieve real cost-savings without sacrificing quality.

Service Delivery

The potential for identifying cost savings in service delivery through realignment is considerable, according to the Rutgers studies prepared for the Commission. To summarize their review of the research, a larger jurisdiction may provide the resource base necessary to fund expensive infrastructure or specialized, but less utilized services, at a lower cost to individual property owners. These findings seem to indicate the potential for savings in a vast array of capital dependent and unique services such as emergency communications and municipal courts.

What the Commission has learned through its focus on service delivery to date and hours of testimony can be summarized as follows:

- Recent legislative changes are acknowledged to have removed some previously existing barriers, but notwithstanding a few high profile initiatives under discussion, municipal consolidation remains an extremely sensitive issue;
- The magnitude of savings to be achieved through service sharing varies across the spectrum of municipal services;
- The aging of the government work force over the next few years will provide a critical opportunity for a fundamental realignment of how local services are delivered;
- New federal or State mandates can generate an additional impetus to share services. This is particularly true where these mandates imply a change in local infrastructure or physical capacity (such as any additional requirements imposed by the Americans with Disabilities Act);
- The need to replace obsolete equipment, particularly where technological change accelerates replacement cycles, often gives rise to shared service arrangements;
- The savings that evidence great promise but are most difficult to quantify are those achieved through “cost avoidance,” that is, savings realized over time through more rational and cost-efficient governance achieved through consolidation or sharing; and
- There is ample evidence that service sharing saves municipalities hundreds of thousands, if not millions of dollars a year and that the State should continue to promote these arrangements as a matter of public policy.

Future Direction

Local Public Health

The Commission lauds the work of the DHSS in developing a monitoring and evaluation initiative and looks forward to engaging the department in a dialogue about best practices in performance measurement.

The Commission also recommends that a regionalization study be undertaken in New Jersey, with significant stakeholder involvement. The goal of this study should be to determine how regionalization of local public health services could both reduce cost and improve the quality of services.

Emergency Communication

It is the intent of the Commission to contract for the design of an analytic model and the gathering of data to develop and apply criteria in this area. The Commission expects to gather appropriate in-depth data from at least three counties from different parts of the State with diverse demands and emergency environments. Following this, the Commission will identify criteria to use in identifying communities that would benefit from the consolidation of emergency communications.

Municipal Administration of Justice

Based on the availability of data, it should be possible for LUARCC to examine how much municipalities spend on courts and relate that to caseload and whether the municipality shares services or has a stand-alone court. This might begin to help identify cost-efficiencies to be achieved through sharing more generally.

Additionally, through municipally-coded data available from the AOC, it may be possible to identify patterns in which municipalities currently share.

The Commission recommends that the ballot question removing the gubernatorial appointment of judges in joint municipal courts be reworded to improve comprehension and that the question be resubmitted to voters as soon as possible.

Additional Service Areas

The Commission will continue its focus on the areas it has already begun studying and will expand its reach to examine efficiency in service delivery with regard to public safety (i.e., police, fire, and emergency management services), construction code enforcement, and the methods used in the assessment and collection of local taxes.

LUARCC – March 2009 Report

Introduction

In June 2006, an unprecedented special legislative session convened with the goal of enacting property tax reform. Following Governor Corzine's address to a joint session of the Legislature the following month, four bicameral, bipartisan joint committees were formed, one of which was the Joint Committee on Government Consolidation and Shared Services. Among the recommendations of that committee was the creation of a permanent commission to facilitate municipal mergers and the sharing of services among local units.

The law creating this commission, the "Local Unit Alignment, Reorganization and Consolidation Commission" (LUARCC), was enacted on March 15, 2007 to study and report on the structure and functions of county and municipal government. Among the many responsibilities assigned to LUARCC was the study of the most efficient and cost-effective ways to deliver municipal services in New Jersey. One of its chief missions is to develop criteria that can be used to recommend consolidation of specific municipalities or, in cases where such mergers are not feasible, possible opportunities for the sharing of services.

The need to help municipalities find innovative ways to economize never has been more relevant than in today's economy. A global recession has made it even harder for state officials to supplement local tax dollars with state funds. Moreover, greater frugality by local officials helps alleviate a property tax burden that weighs heavily on many New Jersey taxpayers.

Membership

Of the nine appointees set forth in the statute that created LUARCC, two are ex officio (the Commissioner of Community Affairs and the State Treasurer), and seven are public members. Of the public members, one is appointed by each of the majority and minority House leaders and three are appointed by the Governor, with the advice and consent of the Senate.

Of the three gubernatorial appointees, one must reside in a northern county (Bergen, Essex, Hudson, Morris, Passaic, Union, Sussex or Warren), one in a central county (Hunterdon, Mercer, Middlesex, Monmouth or Somerset), and one a southern county (Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean or Salem). An appointee may be an elected official of a county or municipality only if that person has significant experience in shared services initiatives and demonstrated success at having implemented such agreements at the local level.

Members serve for a five-year term and are eligible for reappointment, but for the staggering of the first terms as prescribed by law.

The current members of the Commission are:

Jack Fisher (Mantua) Chairman Term: One Year
Steven M. Cozza (Bound Brook) Term: Two Years
Marvin Reed (Princeton Borough) Term: Four Years
Gary Passanante (Somerdale) Term: Five Years

Robert F. Casey (Succasunna) Term: Five Years
Vacant (Northern and Central New Jersey)
Joseph V. Doria, Jr. (Bayonne) Commissioner Department of Community Affairs
David Rousseau (Hamilton) State Treasurer

Detailed biographical information on each Commission member is included as Appendix A.

Fulfilling LUARCC's Mission

As noted in the 2008 Progress Report, the statutory purposes of LUARCC are far-reaching and ambitious; it is clear from the statute that the Legislature envisioned a period of study and serious consideration of more efficient ways of delivering municipal services prior to receiving LUARCC's recommendations for municipal consolidation. The Commission was asked to study and report on the "appropriate allocation of service delivery responsibilities from the standpoint of efficiency" and to consider optimal service levels and best practices in service delivery.

Upon the completion of this inquiry, LUARCC will develop criteria to serve as the basis for recommending the consolidation of specific municipalities, the merger of specific existing autonomous agencies into parent governments and the sharing of services. The 2007 law which created LUARCC required the Commission to report its findings to the Governor, the Senate President and the Assembly Speaker by March 2009. This report documents progress in developing these criteria as required by law.

The report starts with an examination of whether statistically there is a population threshold below which municipalities can be deemed inefficient. It then describes continuing efforts by the Commission to identify cost-efficiencies in service delivery. The report then offers tentative recommendations for legislative and executive action to promote savings, and a plan for further inquiry to achieve the original legislative goals.

The report is structured as a discussion of the Commission's process in arriving at its conclusions; recommendations or notes regarding the direction the Commission is following in pursuing further research are indicated in bolded, italicized text.

Research and Practice

The Commission's responsibilities imply attention to both academic literature and municipal practice – how services are delivered, at what cost, and at what level of quality. To answer a series of questions regarding the optimal size of a municipality from the standpoint of efficiency, savings to be achieved through consolidation, how to measure efficiency, and practical attempts to use benchmarking on the part of governments, the Commission engaged the School of Public Affairs and Administration (SPAA) at Rutgers Newark to conduct a series of literature reviews. The work prepared by SPAA for the Commission underlies much of the foregoing discussion and will be posted to the Commission's website at <http://www.state.nj.us/dca/luarcc>.

The Commission has also held a series of hearings at which testimony was presented by experts in municipal governance and service delivery in specific areas. Based on the many presentations and hours of testimony, the following generalizations can be offered:

- Recent legislative changes are acknowledged to have removed some previously existing barriers, but notwithstanding a few high profile initiatives under discussion, municipal consolidation remains an extremely sensitive issue;
- The magnitude of savings to be achieved through service sharing varies across the spectrum of municipal services;
- Oftentimes, the retirement of a key employee provides the opportunity for expediting consideration of consolidation or service sharing;
- The aging of the government work force over the next few years will provide a critical opportunity for a fundamental realignment of how local services are delivered;
- New federal or State mandates can generate an additional impetus to share services. This is particularly true where these mandates imply a change in local infrastructure or physical capacity (such as any additional requirements imposed by the Americans with Disabilities Act);
- The need to replace obsolete equipment, particularly where technological change accelerates replacement cycles, often gives rise to shared service arrangements;
- Logistical hurdles to sharing exist but are surmountable;
- The hardest savings to quantify are those achieved through “cost avoidance,” that is, savings realized over time through more rational and cost-efficient governance achieved through consolidation or sharing; and
- There is ample evidence that service sharing saves municipalities hundreds of thousands, if not millions of dollars a year and that the State should continue to promote these arrangements as a matter of public policy.

The challenge for the Commission is to integrate the research and practice to develop criteria to govern recommendations for consolidation and the sharing of services, as the case may be, which are credible, offer the possibility of more cost-efficient and effective local governance, and recognize the diversity of the municipal landscape in New Jersey.

Municipal Consolidation

Optimal Size

Among the questions Rutgers was asked to address was the optimal size of a municipality from the standpoint of efficiency. Its findings were inconclusive. While much has been written on the general subject of consolidation, there is a noticeable lack of work done with respect to small municipalities, hundreds of which exist in New Jersey. At least one study suggests that the cost-efficiency associated with municipal size is “U” shaped with greater inefficiency detected when municipalities are very small (the definition of small varies, though 5,000 has been mentioned). In this study efficiency was found to increase slowly until populations reach 11,000 to 12,000. Other studies indicate that the optimal size is not reached until populations near 20,000. Efficiency then plateaus until populations exceed roughly 250,000, at which point inefficiencies again increase.

In other words, while there may be a population size which holds the most promise for cost-efficient service delivery, its parameters are debatable. Some literature has speculated on non-monetary benefits to be achieved through consolidation such as more equitable distribution of scarce resources, better ability to plan on a larger geographic basis thereby enhancing competitiveness, and improved service delivery outcomes (either in terms of quality or breadth of services delivered).

The increasing inefficiency of larger municipalities has been suggested by a few writers over time. Attempts have been made to understand the factors that determine cost-efficiency at both ends of the population spectrum. One study attempted to correlate a lack of cost-efficiency with greater density and demographic features (such as age of the population as an indicator of demand for services). The literature is very speculative, does not necessarily find demographic factors that explain cost variations in service delivery, and ultimately thresholds are hard to establish.

This lack of agreement on the correlation between municipal size and spending is supported by the research conducted by Commission member Robert Casey. His research comparing the municipal tax requirements for each municipality grouped by county and population size failed to find a consistent correlation between size and core municipal expenditures. In fact in a number of municipalities, an inverse correlation was identified.

However, it should also be noted that much of the literature that discusses “small” municipalities seems to consider any unit under 20,000 as small. One-third of New Jersey’s municipalities have fewer than 5,000 residents and fully three-quarters qualify as small using the 20,000 population cut off. For this reason, New Jersey should be treated as an outlier in regard to the issue of size in so far as the national and international literature is concerned.

Further, while it may be possible to make a case for consolidating municipalities with populations under 5,000, the research does not support the use of population size alone as the determining factor in a decision to consolidate or to initiate a consolidation feasibility study. Additional criteria based on municipal operations could be developed to better identify municipalities that might benefit from consolidation. The lack of consistent, reliable and comparable data on local government finance and operations in New Jersey, however, makes that task difficult at best. This point will be discussed further below.

According to Rutgers’ review of the literature:

The most significant lesson from the literature is that consolidation is beneficial in some situations but not in others; there are no general parameters given to make this determination. Rather, a case-by-case analysis is necessary, evaluating the goals of the consolidation against the realistic possibility of how those goals would be furthered by a merger... The literature does indicate that consolidation is more successful if implemented voluntarily....

Cost-effectiveness of Consolidation

Dan Mason, whose firm, Jersey Professional Management (JPM), has conducted a number of feasibility and implementation studies in this field, when testifying before the Commission, acknowledged that cost avoidance could constitute a justification for mergers or consolidation,

but he offered no empirical evidence of cost savings which have accrued over time as a result of municipal merger or consolidation.

The literature suggests caution in drawing simple conclusions about the cost-efficiencies to be gained through consolidation. A study focusing on the organizational and personnel effects of the Athens-Clarke County, Georgia consolidation found that the efficiencies identified in the study appeared to be derived from the political climate to cut spending and not from efficiencies achieved by merging the two governments. Testifying before the Joint Committee on Government Consolidation and Shared Services Committee on September 6, 2006, Enid Slack noted that costs had actually risen since the amalgamation in Toronto, probably due to increasing salaries to the level of the highest paying municipality.

A Monmouth/Gannett poll undertaken in New Jersey and published on October 25, 2006 reported that when asked their opinion on property tax proposals, most respondents supported municipal mergers if property taxes were reduced by 50%. There is no literature to suggest that any municipal consolidation will guarantee a decrease in property tax of this magnitude. This suggestion is reinforced by Commissioner Casey's analysis of the magnitude of expenditures on core municipal functions relative to total municipal spending.

It has been noted by some that the State mandate, State pay provision of the New Jersey Constitution precludes the State from imposing consolidation without funding any up-front costs borne by the constituent municipalities, even if the consolidation were to result in long-term cost savings. The Commission will seek legal clarification on this point in the months ahead.

Without an empirical consensus about the optimal size of municipalities, many researchers instead focus on how best to deliver specific services. Savings may not be easy to measure but it is possible. This approach certainly is less complicated than trying to measure the efficiency of an entire municipality. And there is far less political fallout.

The Commission continues its attempts to identify the ideal population threshold below which municipalities are inefficient. It is led by the research and experience, however, to follow a parallel path in examining service delivery options that might achieve real cost-savings without sacrificing quality.

Service Delivery

The potential for identifying cost savings in service delivery through realignment is considerable, according to the Rutgers studies prepared for the Commission. To summarize their review of the research:

“For services that show economies of scale, such as infrastructure based services (water utilities, for example) or specialized services (crime labs, for example), contracting with a regional provider (including shared services), regionalized special districts, centralized services, joint boards, or regional policy groups may all be more efficient and effective than directly delivered services. If regional coordination is beneficial to the delivery of the service, such as land use planning, regional efforts are more appropriate than local efforts. This could take the form of regional policy groups, joint boards, regionalized special districts, or county or other centralized services.”

In other words, a larger jurisdiction may provide the resource base necessary to fund expensive infrastructure or specialized, but less utilized services, at a lower cost to individual property owners. These findings seem to indicate the potential for savings in a vast array of capital dependent and unique services such as emergency communications and municipal courts.

A few themes emerged around the Commission's inquiries regarding service sharing, models of service delivery and measurement of effectiveness:

- There is a general scarcity of data necessary to evaluate the cost-effectiveness of service delivery (see below);
- Limitations of the Flexible Chart of Accounts reporting system through which municipalities report budget data make spending comparisons difficult;
- There is a lack of reporting on service outcomes, so that even if spending could be compared, it would be difficult to evaluate statistically the relative cost-effectiveness of service delivery among municipalities;
- The body of feasibility studies of potential sharing arrangements prepared by various consultants under contract with municipalities point to significant savings that can be achieved through service sharing;
- It is hoped that the development of the "User Friendly Budget" reporting system and the development of performance benchmarking by the Local Finance Board, both mandated by law, will help resolve some of the existing data shortcomings.

There is a general assumption underlying the push for regionalization that geographically larger service delivery areas (measured by population or geography) generate economies of scale. According to Rutgers:

"The literature is clear on the advantages of service delivery consolidations, but it is less clear on the extent of the cost savings or diseconomies that occur when services are delivered over multiple jurisdictions."

Rutgers goes on to discuss the benefits of consolidated service delivery:

"Most shared services success stories assess cost savings, but some of these cases state that improvements in service delivery and quality should be the primary motivator in forming shared services. Quality is not reduced by the sharing, and sometimes it is improved. Some arrangements are made solely on quality issues."

This finding from the literature underlines the importance of evaluating not only changes in costs but also changes in quality when evaluating consolidated service delivery. One issue raised by the Rutgers research was the effect of fiscal stress on decisions to enter into sharing arrangements:

"Fiscal and budgetary pressures also encourage cooperation between units of

government. Conversely, grants or aid to maintain a service are disincentives to finding alternative service delivery arrangements”

These are issues the Commission will keep in mind as it develops criteria in the area of shared services as well as municipal consolidation.

As noted in the 2008 Progress Report, the first three service areas that the Commission examined were local public health, emergency communications and municipal administration of justice. The Commission was guided by the availability of data in developing a plan of action for examining each of these three areas. The overall goal in pursuing further research in these areas is to:

- Promote the use of best practices in measuring performance; or, where possible
- Attempt to assess the cost-effectiveness of service delivered on a regional, as opposed to local scale.

Local Public Health³

The Structure of Service Delivery

Although municipal governments have the primary responsibility for local public health services, a municipality may meet this requirement by:

- Maintaining a municipal health department;
- Entering into a shared services agreement with another municipality;
- Participating in a regional health commission; or
- Agreeing to come under the jurisdiction of a county health department.

As noted in the Progress Report, there exist 111 local health departments – 521 municipalities (representing 92% of total municipalities) participate in some form of shared services arrangement within which local public health services are delivered. That there is a considerable amount of sharing in service delivery has been used to suggest that public health offers a model that might be emulated in delivering other services. On the other hand, no empirical research has been undertaken to examine public health outcomes relative to the amount spent by New Jersey taxpayers that would affirm the cost-effectiveness of the current system⁴.

The testimony regarding the Massachusetts regionalization study represented an interesting perspective in light of the New Jersey situation. A number of public health organizations

3 A fuller discussion of testimony before the Commission regarding the State’s local public health system can be found in the 2008 Progress Report. Relevant portions of that report are excerpted here to provide a context for recommendations based on Commission work to date.

4 To describe the delivery of local public health services as a ‘system’ in New Jersey begs the question of how these services are organized and delivered. The service delivery mechanism has evolved over time given changing needs and challenges and represents a mixture of municipal, interlocal, regional and county agencies. Who provides what local public health service varies from one region to the next. Minimum standards must be “assured” by local public health services and are contained in Public Health Practice Standards of Performance for Local Boards of Health in New Jersey (based on the nationally-accepted Ten Essential Public Health Services). The State Department of Health and Senior Services oversees compliance with the minimum standards.

in Massachusetts which had come together as the Coalition of Local Public Health had commissioned a public health needs assessment 10 years ago; in part, the initiative emerged in response to a few public health crises that focused attention on the equitability, or lack thereof, of public health service delivery across the State. Like New Jersey, the Massachusetts system was funded mainly from the local property tax base but with little regionalization in service delivery.

The goal in undertaking the study was to augment what service the citizens receive and equitable protection; although it was understood that enhancing the level of care might be more expensive in the short term, over the long term it was envisioned that the system would be more cost-efficient to the extent that people would be healthier and therefore demand less of the public health workforce.

The study found insufficient staffing in over 70 percent of the local health offices with widely divergent budgets and education levels within the State public health workforce. The study recognized that only with increased State funding could it be assured that the State could oversee attainment of performance standards. Like New Jersey, Massachusetts is a “home rule” state and would therefore respect the existing legal authority of the local health agencies in any proposed changes to the system.

Service Delivery and Performance Outcomes

The Department of Health and Senior Services (DHSS) is authorized to promulgate minimum standards for local public health services which are contained in Public Health Practice Standards of Performance for Local Boards of Health in New Jersey (and based on the nationally-accepted Ten Essential Public Health Services).

The Practice Standards are not prescriptive as to services to be performed by each health department and require that each local health department “assure,” but not necessarily provide these services. The local health department may provide certain services itself, contract with another agency or determine that a particular need is adequately met by other health care providers or agencies. Similarly, the State Sanitary Code delegates to the local health departments the responsibility for addressing particular public health problems.

The local health officers submit to the department on an annual basis a Local Health Evaluation Report (posted to the DHSS website at <http://nj.gov/health/lh/90questions/lher.shtml>). This report does not monitor performance or outcome measures but instead characterizes the responsibilities of the health officer as a series of questions and asks about compliance. In effect, the report constitutes a self-evaluation on the part of the health officer. The report does not elicit information about public health outcomes or performance. Within the current structure at present there is little or no independent verification that the Practice Standards are being assured by the local health departments. Only through complaints does the DHSS become aware of problems.

The department is implementing a Monitoring and Evaluation Initiative, which will be a comprehensive process of evaluating the structure and performance of local health departments and documenting their compliance with the Practice Standards. The goals of this initiative are to assist local health departments in improving their performance, while taking appropriate actions against non-compliant local health departments.

Monitoring Local Public Health Departments

The Commission began its hearings on the local public health system from the perspective of seeking greater cost-efficiency in service delivery, but soon became aware of the challenges facing public health in New Jersey. As noted earlier, the State contributes relatively little toward the cost of delivering local public health services and the State's role is mainly to promulgate minimum standards. With relatively little State investment, the State lacks the leverage usually associated with financial subsidy.

On the national scene in recent years, public health leadership has recognized the need for instruments, tools, and systems that show and measure the capability of public health to meet the challenges of our times. In 2006, the major public health leadership, through the National Association of County and City Health Officials (NACCHO), the Association of State and Territorial Health Officials (ASTHO), the National Association of Local Boards of Health (NALBOH), and the American Public Health Association (APHA) declared their consensus in exploring accreditation of local public health departments.

Although accreditation and national agreement on how to effectuate it may still be years away, it is part of a larger debate about the quality and performance of state and local public health departments and how to measure them.

The basic questions to be asked as a starting point are:

- What routinely needs to be known about financing of the public health system?
- What services are provided and need to be provided? And
- What information is needed to answer these questions?

Based on the Commission's work to date in the municipal field and on the literature review from Rutgers, a monitoring and evaluation system might include the following:

- A classification framework within which to measure services rendered and financial performance;
- Electronic reporting of standard data;
- The utilization of standard financial analysis practices employing indicators based on revenue streams and standard expense object categories;
- Individual municipal reporting of public health expenditures according to consistent indicators; and
- Training of local public health officials so that data is reported consistently, uniformly, and is comparable across jurisdictions for comparable spending categories.

As an example of one methodology to gauge performance of local public health departments, a public health finance and ratio analysis has been developed and is being considered as an evaluation tool by some State and local health offices. This ratio analysis represents an application of the type of performance benchmarking pioneered by the International City/

County Management Association (ICMA) for use by county and local governments to public health. A template for a financial data framework which can be tailored to the reporting needs of individual departments can be found at <http://www.publichealthsystems.org/phf/1475/FinancialRatioAnalysis>⁵.

The Commission lauds the work of the DHSS in developing a monitoring and evaluation initiative and looks forward to engaging the department in a dialogue about best practices in performance measurement.

The Commission also recommends that a regionalization study be undertaken in New Jersey, with significant stakeholder involvement, similar to that which is underway in Massachusetts. The goal of this study should be to determine how regionalization of local public health services could both reduce cost and improve the quality of services.

Emergency Communications

Move toward Regionalization

Emergency communications has become increasingly technology dependent. The reliance on landline phones during the early development of the 9-1-1 system has given way to cell phones, the Internet, Voiceover Internet Protocol (VoIP), and geographic information systems as important tools in emergency response. More than ever, emergency communications are dependent on the acquisition and maintenance of the communications technology infrastructure. The expense of this technology can be so prohibitive as to place it beyond the reach of smaller jurisdictions. This makes emergency communications an appropriate focus for potential consolidation and/or sharing.

Indeed the wisdom of seeking to consolidate emergency communications appears so self-evident that the State has offered grant programs specifically targeting the consolidation of 9-1-1 answering. A number of consolidations have taken place across the State. Notably, the County of Gloucester has developed an impressive county-wide emergency communications system that represents the technological state of the art.

Despite the apparent wisdom of regionalized emergency communications, demonstrating the need in a particular area may be more difficult. In order to show that consolidation makes sense in an individual situation, it is important to be able to estimate the impact of such a change. However, few data are available to use as a base line to determine what, if any cost savings or service improvements have been realized that are attributable to regionalization, where it has occurred. These data would be vital in developing appropriate criteria to identify situations in which regional communications could produce significant benefits.

In the absence of a data base which might help compare costs in one location prior to and following upon regionalization, an alternative methodology might embrace a comparison of spending patterns across the State, trying to identify increased savings associated with

5 This reporting system has been developed by Peggy A. Honoré; further information on the development of this system can be found in Peggy A. Honoré, Richard L. Clarke, Dean Michael Mead and Susan M. Menditto, "Creating Financial Transparency in Public Health: Examining Best Practices of System Partners," *JPublic Health Management Practice*, 2007 13(2), 121-129.

regionalization. Any attempt to identify cost savings associated with regionalization, however, must be cognizant of whether a system contains duplication in dispatch, and not just answering.

The data included on the standard budget sheets prepared by local finance officers and submitted to the Division of Local Government Services are not designed for this type of endeavor and therefore are not useful in attempting to identify expenditures on emergency communications.

Identifying Criteria to Guide Service Sharing

The 9-1-1 Commission in the Office of Emergency Telecommunications Services (OETS), with the cooperation of the Division of Local Government Services in the Department of Community Affairs (DCA), conducted a survey of Public Safety Answering Points (PSAP's), Public Safety Dispatch Points (PSDP's) and municipalities participating in shared service arrangements to receive answering or dispatch services. The surveys attempted to identify certain costs, staffing levels and use and other data. Over 400 municipalities and many counties filled out these surveys for the 2006-07 budget period and many of the surveys are available in electronic form.

The survey asked about costs for ongoing and non-recurring items including salaries, training, equipment purchasing and maintenance of equipment and facilities. Staffing data included categories of staff, work shift coverage by hour of the day, staff attrition and involvement of staff with non-dispatch duties. Other data included locations served, disposition of calls, types of call received, equipment used for different functions and the capabilities of the equipment.

While this information is useful, it is not complete and does not provide sufficient data for the needs of the Commission. There were also some limitations in the survey form and its execution. Some questions suffered from ambiguity problems. Further, it was not always clear that the respondent was in a position to provide full and accurate answers to all questions.

Before the Commission can assess the advisability of consolidating emergency communication in individual cases, the collection of additional information relating to costs, staffing, and equipment levels would be necessary. While the survey gathered costs for a single period of time, data on total capital project costs regardless of when they occurred are important as well as the amount of recurring debt service payments generated. Training costs would need to be broken down by type such as initial training and ongoing training. Other functions covered by answering/dispatch staff and the cost to cover those functions would need to be identified. Estimates of the value of any non-answer/dispatch staff utilized to cover answer/dispatch duties would need to be determined.

Data on performance measurement not addressed in this survey would also need to be obtained, such as response times at each step of the answer dispatch and response process.

It is the intent of the Commission to contract for the design of an analytic model and the gathering of data to develop and apply criteria in this area. The Commission expects to gather appropriate in-depth data from at least three counties from different parts of the State with demands and emergency environments as diverse as possible. Following this, the Commission will identify criteria to use in identifying communities that would benefit from the consolidation of emergency communications.

Municipal Administration of Justice

Court Jurisdiction and Structure

Municipal courts in New Jersey are considered courts of limited jurisdiction, having responsibility for motor vehicle and parking tickets, minor criminal-type offenses (for example, simple assault and bad checks), municipal ordinance offenses and other offenses (such as fish and game violations). A municipal court usually has jurisdiction only over cases that occur within the boundaries of its municipality.

Every municipality is required to establish a municipal court, which it may do as a stand-alone or through one of two alternative collaborative arrangements set forth in the same section of law. Two or more municipalities may enter into an agreement establishing a single joint municipal court or they may agree to share facilities and appoint judges and administrators without establishing a joint municipal court.

As of December 2008, New Jersey had 19 joint courts serving 58 primarily small municipalities, most of which receive rural policing by the State Police. At the same time, there were 27 shared municipal courts serving 56 municipalities.

Although there are only two formal models available for municipal courts to share services, many municipalities utilize the same municipal judges, prosecutors, public defenders and court administrators and therefore do not employ those personnel on a full-time basis. According to the Administrative Office of the Courts (AOC) which oversees the courts, some municipal judges serve as many as 10 municipalities and currently, approximately 350 judges serve 531 municipal courts.

The municipal courts in New Jersey are funded by the municipalities they serve and not by the State. As a result, some of the money assessed by each court goes back to the municipality to help fund the municipal court. The remainder is distributed, as required by statute, to the counties or to the State and its agencies or to funds created by the Legislature.

Case Studies Indicating the Potential for Cost-Effective Sharing of Court Services

A number of feasibility studies have been conducted over the past few years investigating the potential savings to accrue as a result of the creation of joint or shared courts. These studies have been undertaken throughout the State in municipalities with varying facilities and caseloads using similar methodologies. A few highly publicized studies include:

Fort Monmouth Economic Revitalization Planning Authority

The Fort Monmouth Economic Revitalization Planning Authority (FMERPA) commissioned Jersey Professional Management (JPM) to conduct a case study on municipal court shared services. The observations, recommendations, and conclusions of the study are described in a report entitled, "Feasibility Study for Possible Shared Services." JPM examined municipal courts in the Boroughs of Eatontown, Oceanport, and Tinton Falls and their analysis focused on municipal court personnel, facilities, security, workload, and administrative operations.

The JPM Study Team determined that the municipal courts in the Fort Monmouth area would be suited for a shared service agreement. JPM recommended that the Borough of Eatontown

serve as the lead agency for an expanded shared service agreement to include Oceanport Borough. Under the recommendations of JPM, the Borough of Tinton Falls would remain independent while the Borough of Eatontown and Shrewsbury Township would share services and facilities with the Oceanport Borough. In the future, JPM recommended that neighboring municipalities consider sharing services to form a Joint Monmouth County Regional Court.

In an addendum to the initial study conducted as a follow up and based on reactions to the initial study, an additional recommendation was advanced by JPM, which would be a full merger between the Tinton Falls and Oceanport Municipal Court operations. Over the long term, it was envisioned that Fort Monmouth's Mallette Hall would be upgraded to accommodate the regional court referred to above.

The JPM study team thoroughly analyzed the caseloads, staffing, and physical plant associated with each of the courts in its study area. Some of the types of savings that would accrue are generalizable across service areas:

- Common administrative tasks such as training, scheduling, controlling, budgeting and development of departmental policy and procedures are performed by each municipal court. Consolidating these department tasks under a shared service will avoid the time, effort, and expense of administrative redundancy.
- In small departments, because of time and personnel limitations, supervisory personnel often function as a clerical worker and cannot devote full attention to their supervisory responsibilities. A consolidated department increases personnel resources limiting these role conflicts.
- A shared service agreement whereby Oceanport Court would use Eatontown facilities and personnel would free administrative space in the Oceanport municipal building for other municipal purposes. This arrangement could offer immediate and short term benefits to the taxpayers of these municipalities.
- There would be a reduction by one third (24) in the total number of court sessions. This provides opportunities for reduced costs, especially for police personnel providing security services within the court.
- There will be miscellaneous overhead savings associated with training, certification, equipment, supplies, and court interpreters.
- There will be only one certified court administrator.
- Simply stated, the cost of operating one department is lower than operating two or more departments, in other words, one of the recognized economies of scale.

The study found that there are certain economic advantages to sharing services in one of the arrangements studied, but that economics should not be the primary objective. The principal objective of the joint or shared court options should be to improve the level of service to the public in an economical manner⁶.

6 See Jersey Professional Management, "Feasibility Study for Possible Shared Services for Emergency Services for FMERPA (Fort Monmouth Economic Revitalization Planning Authority), Task I Municipal Court Shared Services Final Report, July 7, 2008; and Task I Addendum, issued October 9, 2008.

Dover, Mine Hill, Mount Arlington, Rockaway Borough and Wharton (Morris County)

The municipal courts serving the abovementioned five municipalities were consolidated into one joint municipal court to be located in the Town of Dover effective February 1, 2009. Under the terms of the agreement, the previously serving court administrator heads up the new court as the chief administrator in charge of scheduling, personnel, resources and facilities. The consolidation involves replacing 15 part-time court officials with two judges, two prosecutors and a public defender.

The contract requires Dover, the largest municipality, to pay \$373,000 a year for the regional court, a saving of \$100,000. Each of the other municipalities will contribute \$90,000 a year. The savings will vary among the towns with Wharton and Mine Hill each anticipating a savings of \$30,000 a year, Mount Arlington \$37,000 and Rockaway Borough, \$69,000. Over the 10-year agreement, it is estimated that the five municipalities will save \$2.65 million⁷.

What is significant about the Morris County situation is the fundamental importance of local leadership in initiating the arrangement and seeing it through and the contribution of reforms undertaken in the past couple of years which have already worked to encourage consolidation. In addition to local leadership, critical to the creation of the joint court in Morris County were:

- (1) the funding of the feasibility and implementation studies by DCA;
- (2) the 2007 change in the law which allowed for Civil Service and non-Civil Service towns to merge one service and have that service become covered by Civil Service for the sharing arrangement without the necessity of having the whole municipal operation subject to the sharing arrangement having to come under Civil Service; and
- (3) the funding of the county shared service coordinator who was instrumental in bringing the municipalities together and forging the relationship.

Under the agreement, all of the court employees in Dover are covered by Civil Service and Dover is solely responsible for the salary, wages and any associated benefits that may be provided to these court professionals for the term of the agreement. To effectuate this agreement, an employee reconciliation plan was prepared under the auspices of the State Civil Service Commission, as required under the revised 2007 law combining employees into one department who were previously both Civil Service and non Civil Service.

Currently, the joint court in Morris County is one of the best examples of how a multifaceted approach to encouraging service sharing can yield positive results; involving cooperation on the part of multiple governmental units with jurisdiction, State funding and strategic changes in the law designed to remove obstacles to sharing.

Buena Vista Township, Buena Borough, Folsom Borough, Weymouth Township and Estell Manor City (Atlantic County)

A feasibility study to determine the advisability and feasibility of sharing or consolidating municipal court services in the above five municipalities was undertaken in February 2008. This region of Atlantic County is sparsely populated and primarily rural. With the exception of Buena, all of the participating municipalities receive police service from the New Jersey State Police

⁷ For the source of data on savings, see study prepared by Nisivoccia & Company LLP for the governing body of the Town of Dover, October 2008.

and the combined population of the municipalities is slightly over 17,000. At the time of the study, Buena Vista, Buena and Folsom operated individual municipal courts and Estell Manor hosted a joint municipal court serving Weymouth, Corbin City and itself⁸.

Following from a similar type of analysis to that which was undertaken in the Fort Monmouth situation, the consultants recommended the formation of a joint regional municipal court to be hosted by Buena Vista and to provide municipal court services to Buena, Folsom, Estell Manor, Weymouth and Corbin City (if it does not merge with Upper Township).

Some of the cost saving opportunities identified in that study included:

- Reducing the annual number of court sessions while increasing the frequency of court sessions, resulting in improved customer service;
- Rationalizing staff by employing a full time, multiple person staff as opposed to part-timers;
- Producing operational efficiencies by consolidating four court office staffs into one joint staff, generating cost savings; and
- Minimizing the cost impact of future state requirements regarding court room facilities, court office operations or both.

It was found that the proposed joint regional court would provide the participating municipalities with a collective cost savings of at least \$100,000 annually and provide the participating municipalities with cost avoidance advantages in future years, especially by rationalizing facilities and security costs.

Next Steps in Developing Criteria to Govern Collaboration

The Administrative Office of the Courts (AOC) has provided LUARCC with caseload data for all courts in New Jersey, including the stand-alone, joint, and shared courts. In addition, LUARCC has obtained data from the AOC on the amount of revenue received by each municipal court. Through the Division of Local Government Services, data are available on the amounts expended by each municipality to operate its municipal court. The Commission is still examining the budget data to determine how costs are allocated by municipalities in joint or shared court arrangements.

Based on the availability of data, it should be possible for LUARCC to examine how much municipalities spend on courts and relate that to caseload and whether the municipality shares services or has a stand-alone court. This might begin to help identify cost-efficiencies to be achieved through sharing more generally.

Additionally, through municipally-coded data available from the AOC, it may be possible to identify patterns in which municipalities currently share. For example, it is clear that some sharing arrangements occur in municipalities which receive State policing. If it were possible to identify patterns in current sharing arrangements, it may be possible to suggest sharing possibilities among neighboring municipalities that maintain stand-alone courts.

⁸ See Jersey Professional Management, A Feasibility Study for Consolidating the Courts of Buena Vista Township, Buena Borough, Folsom Borough, Weymouth Township and Estell Manor City, July 2008. Corbin City was not a contracting municipality but was addressed as a participating municipality within the study because of its membership in the Estell Manor joint court.

Additional Savings to be achieved through Sharing Based on Feasibility Studies

Although Rutgers did not identify many studies that point to specific savings attributable to service sharing in the national literature, there is a growing body of research funded by the New Jersey Department of Community Affairs (DCA) which points to the benefits of collaboration. The various feasibility studies being undertaken on behalf of municipalities point to savings throughout the State in a broad cross-section of service areas. In future years, LUARCC may be guided in subsequent examinations of service delivery by the findings of this growing body of feasibility study research. Some illustrative case studies follow:

Township of Montclair and Borough of Glen Ridge

Study to Share Human Resources Administration

The Township of Montclair and Borough of Glen Ridge commissioned JPM to conduct a study of the feasibility of sharing human resources administration. The observations, recommendations, and conclusions of the study are described in a report entitled, "Feasibility Study for Possible Sharing of the Administration of Human Resources between the Township of Montclair and the Borough of Glen Ridge." JPM focused its examination on the administrative aspects of human resources. Other human resources issues, such as recruiting and training, were not included in the study. JPM examined the human resources administrative workload, staffing and costs in the two municipalities.

The JPM Study Team determined that the two municipalities would be suited for a shared service agreement. Specifically JPM recommended that the Township of Montclair serve as the lead agency for a shared service agreement to provide benefits administration for Glen Ridge. Under the recommendations of JPM, Glen Ridge would save approximately \$15,000 per year (half of its current expenditure on benefits management.) Montclair would realize a \$15,000 revenue gain against an estimated \$5,000 increase in costs under the study recommendations. The implementation of these recommendations would potentially yield a net annual benefit of \$25,000 to the taxpayers in the two municipalities.

Borough of Woodbine

Study to Consolidate Maintenance Facilities, Services, Staff and, Equipment

The Borough of Woodbine contracted with Van Note-Harvey Associates to study the feasibility of consolidating maintenance facilities, services, staff and, equipment in a shared facility with the Borough's Public Works Department, the Woodbine Municipal Utilities Authority, the Woodbine Port Authority and the Woodbine Board of Education. The report examined the personnel and operating costs of the individual existing maintenance facilities and compared them with projected costs for a shared facility.

The report identified potential annual costs savings of \$135,066. According to projections, these savings could pay debt service on a new facility to house these functions. The report does not project the opportunity benefit of releasing current space to other uses.

Township of Old Bridge

Proposal to Share Building Inspections with South River

The Township of Old Bridge has proposed to provide Building Inspection Services to

the Borough of South River through a shared services agreement. In its application for implementation funds through the State's SHaring Resources Efficiently Program (SHARE), Old Bridge explained that two conditions at the time of application made this proposal mutually beneficial.

Owing to a relatively low inspection demand, South River relied upon its own limited in-house staff as well as contracted inspectors for various specialized inspection duties. This arrangement, however, generated problems in completing sub-code inspections on a timely basis, which in turn resulted in costly delays in permit issuance. At the same time, Old Bridge had experienced a construction slow down that left it with underutilized inspection personnel. A shared service agreement would allow Old Bridge staff to pick up the slack in the South River operation and improve turn around in the South River inspection process, while more fully utilizing the existing inspectors in Old Bridge.

As a result of an agreement to share these services, South River would at the same time experience improved inspection services while avoiding annual costs of \$19,000 in pension and benefits for two eliminated positions. Old Bridge would gain approximately \$125,000 in inspection fees, which would offset expenditures for its inspection operation currently covered from its general fund.

Borough of Fanwood and Township of Scotch Plains

Shared Tax Collector

The Borough of Fanwood and the Township of Scotch Plains developed a plan to share a tax collector through a shared services agreement. In its application for implementation funds through the State's SHARE Program, the Borough of Fanwood pointed out that this agreement would relieve Scotch Plains of the need to replace its tax collector. In order to implement this agreement, the two communities would need to make computer system upgrades to allow a single tax collector to access the files of both municipalities from either location.

This sharing arrangement leverages a one-time cost of just under \$13,000 into an annual savings of \$55,000 in 2006 dollars, representing a 400 percent return on investment in the first year.

City of Millville and the Millville Board of Education

Information Technology Shared Services Project

This project was designed by the participants to bring the City of Millville and the Millville Board of Education into a unified information technology environment. In this environment, the two municipalities share their entire information technology infrastructure. Part of the intent of this project is to provide a greater depth and breadth of services to both the school community and the general population.

In addition to providing an improved technology infrastructure and expanded services for the community, the project eliminates redundancy and generates a significant savings to taxpayers. Against an estimated cost of \$132,000, the project is expected to generate a savings of \$500,000 in its first five years.

Conclusions: Shared Services and Consolidation

Based on the Rutgers research, the hours of testimony and a review of many feasibility studies funded by DCA, the Commission believes that there may be a number of valid reasons for consolidation of municipalities or greater shared services within defined functional areas that would benefit the local taxpayer. Discussion with many people involved in this debate note the following reasons for considering consolidation or sharing of services:

- Improved local government efficiency and effectiveness so that operations and tasks are performed with lower cost and greater benefits in the future;
- Better response to growth pressures or possible economic stagnation;
- Cost avoidance - the ability to meet pending demands in a more effective manner;
- Improved delivery of services or the expansion of service delivery;
- Greater utilization of skilled personnel, specialized equipment, and technology;
- Coordinated land-use, traffic, infrastructure and other area-wide decisions;
- Lower operational cost.

In the months ahead, the Commission will continue its research regarding consolidation, optimal size of municipality and service delivery unit with a view toward the development of criteria to govern future collaborative efforts on the part of municipalities. The Commission will continue its focus on the areas it has already begun studying and will expand its reach to examine efficiency in service delivery with regard to public safety (i.e., police, fire, and emergency management services), construction code enforcement, and the methods used in the assessment and collection of local taxes.

Based on its inquiries to date, in the final section of this report, the Commission offers a series of recommendations to establish the context within which efficiency can be better evaluated, achieved and promoted.

Promoting Further Service Sharing or Consolidation

State Assistance to Encourage Intermunicipal Collaboration

Technical Assistance

The principal agency that provides technical assistance to municipalities seeking to consolidate or share services is the Division of Local Government Services in the Department of Community Affairs. Appendix B includes a summary of the various services offered by the division to municipalities. There are a number of other State agencies, however, that can be particularly helpful in addressing barriers to consolidation or assisting municipalities in identifying further opportunities for collaboration.

LUARCC is well-positioned to act as a centralized source of information on how the State can assist municipalities seeking to share services or explore the possibility of consolidating.

Through its outreach to municipalities, LUARCC will identify the need for material to assist municipalities in this endeavor and, within the limits of staff resources, either produce the material directly or enlist the appropriate State agencies to make the information available. In the months ahead, LUARCC will post to its website information on the various State agencies involved in this field and what types of assistance they offer.

Some examples of State agencies that provide assistance to municipalities seeking to engage in shared service delivery or consolidate are:

- Civil Service Commission – With 2007 amendments that allowed Civil Service and non-Civil Service municipalities to enter shared service agreements without implicating the entire municipal operation, State personnel officials can be extremely helpful in helping to work through the newly-established procedures for service sharing (including the preparation of employee reconciliation plans). The Civil Service Commission offered invaluable assistance in establishing the joint court in Morris County referred to earlier;
- Office of Citizen Relations (OCR) – This nationally recognized office, housed in the Department of the Public Advocate, provides mediation and other neutral dispute resolution services. OCR also designs and manages a variety of dispute resolution programs, most recently working on the mortgage foreclosure issue. The office also provides negotiation and mediation training. Mediation offers a promising vehicle for the balanced initiation of discussions and resolution of disputes that might arise between municipalities seeking to consolidate or share services or to help resolve disputes that arise between or among those already subject to such agreements;
- The DHSS' Office of Public Health Infrastructure provides support to municipal, regional and county health departments, and local governing bodies and boards of health exploring opportunities for sharing or consolidating public health services. Support is provided in the form of guidance, consultation and technical assistance for meeting State public health standards through Uniform Shared Public Health Services Agreements, the development and operation of regional Governmental Public Health Partnerships, and Local Public Health Systems Development funding (see Appendix C for further information);
- Public Employee Relations Commission (PERC) -- PERC deals with certain labor relations issues involving public employers, public employees, and unions that represent public employees. Such issues include representation matters, the scope of negotiations, unfair practices, mediation, fact-finding and arbitration. PERC offers mediation in police and fire contract negotiations, which may be used in shared service situations; and
- The Office of Emergency Telecommunications Services (OETS) in the Office of Information Technology (OIT) staffs the 911 Consolidation Commission and until very recently, administered a grant program to assist consolidation efforts, fund equipment and provide general assistance⁹.

In the months ahead, LUARCC will develop a one-stop Online Resource

⁹ The grant program has been suspended in FY 2009 because of current fiscal conditions.

Center to be posted on the LUARCC website to publicize technical assistance offered by the State that is available to municipalities interested in sharing services or exploring consolidation.

Financial Assistance

The Commission acknowledges the critical importance of feasibility studies in overcoming initial apprehensions and resistance to sharing on the part of local officials and demonstrating cost savings to be achieved. Similarly, witnesses who testified before the Commission emphasized the importance of the 9-1-1 consolidation grants to the sharing that has developed surrounding emergency communications, particularly in Gloucester County.

The Commission views as vital the continuation of funding programs, whether for feasibility studies, implementation grants or any other financial assistance to promote service sharing or consolidation and hopes that the 9-1-1 grants will be restored once the State has gotten beyond the current fiscal crisis.

Public Outreach

In 1994, DCA mounted a serious effort to elicit the views of State, county and municipal officials throughout New Jersey with regard to shared services and consolidation by holding a series of regional meetings which were transcribed and are still available online. As a result of these meetings, funding programs were developed which continue to this day. It is time to go back out to the community to continue this dialogue and LUARCC is perfectly placed to spearhead this effort.

In the months ahead the Commission will hold regional town meetings to elicit local perspectives on sharing, how to encourage further initiatives and remove any remaining barriers identified.

Removing Data Roadblocks

A continuing theme in this report revolves around the lack of reliable, policy-relevant data. The lack of consistent and comparable financial and performance data on New Jersey's local governmental units renders identifying potential savings and service improvements nearly impossible to identify without detailed feasibility studies analyzing very specific sharing arrangements. Local units do not account for financial or performance activity in a uniform or consistent manner. What information they do collect is not available in an electronic format that allows for easy comparison that would help identify operational improvements. This lack of uniform data prevents the use of modern analysis tools that would allow for the identification of similarly situated units, the use of inter-jurisdictional benchmarking and the discovery of best practices appropriate to individual local units.

Local Government Budgeting

Local government accounting in New Jersey has advanced over the past several decades from minimal single entry non-standard practices to the current use of a more standard flexible chart of accounts (FCOA) and double-entry accounting. The FCOA provides for relatively uniform budgeting for appropriation and expenditure for general government functions. However, the

current structure does not guarantee amounts under a given line item are comparable from town to town even when the scope of services provided is the same. As an example, certain grant funding that supports a general government function would be budgeted under different line numbers in a separate section of the budget than expenditures for the same function supported by general funds. Comparing the general fund expenditure for a town that has not received the grant with one that has would understate the relative expenditure of the town receiving grant money.

The Division of Local Government Services is currently in the process of developing a User Friendly Budget that will address this issue to a certain extent. The User Friendly Budget will enable members of the public to obtain a better understanding of municipal activity and to develop a better informed capacity to participate in local government decision making. That simplified budget document, however, will not provide the level of detail necessary to enable LUARCC to perform the more complex inter-jurisdictional analysis required by the enabling statute. An enhanced FCOA would improve comparability of full municipal budgets and provide a level of accountability and transparency not currently possible.

The State should enhance the Flexible Chart of Accounts to provide greater comparability of financial data of local governments.

Operational Data on Performance

While the need for access to existing data such as the full budgets seems obvious, a second type of data is also necessary for the kind of rich analysis necessary to answer the questions before the Commission. How much we spend only provides numbers for half of the equation. The other half has to do with what local government and the taxpayers get for the money. Local governments collect very little information on the outcomes of their efforts. The State collects almost no usable data on the effects of local government spending. In order to identify best practices and benchmark targets to help local governments improve operations, uniform data on the results of current efforts must be collected.

According to research performed by the School of Public Affairs and Administration at Rutgers University, Newark, "...a performance measurement system should include the following:

- A system of benchmarking among the local governments in the state in order to facilitate improvement and best practices.
- A system of different types of performance measures including workload, input, output, and outcome indicators.
- A system of management review that encourages management action and monitors its effectiveness.
- Reporting to the State of performance measures and management initiatives resulting from the analysis and review of the performance measures."

This research also indicates principles to guide the development of a quality performance measurement system. Five principles should guide the development of a measurement system:

- Measurement should occur at each stage of the service delivery process;
- Measurement should start with simple, basic forms of data analysis, eventually progressing to a more powerful tool;
- The system should reflect “best practice” models for performance reviews and improvements;
- Municipalities should benchmark their performance against comparable cities and towns, and should collect standardized data to do so; and
- Performance data should be available to the public.

The State has charged DCA's Division of Local Government Services through the Local Finance Board with developing a performance measurement system for local government. However, the Board has not yet completed this vitally important and urgent work.

The Local Finance Board should develop and implement a local government performance measurement system at the earliest possible time.

Availability of Data for Analysis

Currently, local governments submit budget data on paper. A typical budget ranges from 40 to 60 pages. Extracting a limited set of data from these budgets requires thousands of man-hours. The State could utilize the talents of these individuals much more effectively, if local governments submitted budgets in a uniform electronic format. Further, electronic submission of the full budget would provide a more robust data set for analysis.

Again, the efforts of DCA to implement the User Friendly Budget heads in the right direction and should continue. It will provide the public with a much-needed tool. However, the potential for finding savings provided by the capacity to analyze the full budgets cannot be overstated. Further, the potential exists both at the State and local levels for savings in personnel time and through paper reduction.

The State should transition to the collection of budgetary and other data through electronic means as quickly as possible.

Local Control over Appointments

The Commission was advised by State officials and other witnesses who submitted testimony that the Constitutional amendment proposing to remove the gubernatorial appointment of the judge in joint court situations was eagerly anticipated and this appointment had been viewed as a barrier to the creation of these courts. It was widely believed that the wording of the question obscured its meaning and that the question might have passed had its purpose been more clearly stated on the ballot.

The Commission recommends that the ballot question removing the gubernatorial appointment of judges in joint municipal courts be reworded to improve comprehension and that the question be resubmitted to voters as soon as possible.

Preserving Community Character in Consolidated Municipalities

Some municipal residents who oppose consolidation consider it a threat to their quality of life. Concerns about losing community character present a significant obstacle to consolidation in many cases. Under 2007 amendments to the consolidation law, consolidation plans may now continue to use old boundary lines to continue former local ordinances that existed prior to consolidation. This change was made to accommodate residents' concerns regarding changes in neighborhood character that might come about as a result of consolidation.

The law is silent, however, regarding community decisions that originate as a result of a municipal referendum. For instance, what if one town has voted to keep its blue laws and remain "dry," while its neighbor has decided to allow alcohol sales? Or perhaps another town might have dedicated property tax revenues toward open space purchases and its potential partner doesn't have a similar program.

The Commission recommends that current law be reviewed to assure that previous decisions made through referendum may be continued within a consolidated municipality, just as ordinances may be continued. If there is any question regarding the ongoing effectiveness of decisions made through referendum, the law should be amended so that those policy decisions are continued under the new regime.

APPENDIX A

Biographies – LUARCC Members and Staff

Jack Fisher, BA (Mantua) serves as the Commission Chairman and is currently Managing Director of Tri-State Strategies NJ, LLC a consulting company. Fisher is also a former Gloucester County Administrator and previously served as the county's first Planning Director.

Robert F. Casey, BA, MPA (Succasunna) is the Executive Director of the New Jersey Municipal Management Association. Casey holds a Masters of Public Administration from the University of Michigan. He also works as a consultant to municipalities on a wide range of issues and has served as a former Borough Administrator/Manager for several New Jersey towns.

Gary Passanante, BA, MBA (Somerdale, Camden) is currently serving his fourth term as the Mayor of Somerdale. He has served as Vice President and President of the Camden county Mayors Association and is currently on the Board of Directors for the New Jersey State League of Municipalities and the New Jersey Conference of Mayors. Mayor Passanante is an active member of various property tax reform committees.

Marvin Reed, BA, MA (Princeton Borough) is retired as Communications Director of the New Jersey Education Association and from his own Princeton Media Associates public relations firm. Reed also served for 13 years as the Mayor of Princeton Borough. Over his career and since his retirement he has remained actively engaged serving with numerous local and statewide civic organizations, including the Board of Directors of the New Jersey State League of Municipalities.

Steven M. Cozza, BS, MAS (Bound Brook) is currently the Director of Records Management and Archives for Somerset County and serves as that county's Project Manager for the State's PARIS Grant program. Cozza retired with the rank of Lieutenant from the Bound Brook Police Department and is an adjunct professor at the Fairleigh Dickinson University School of Administrative Science.

Joseph V. Doria, Jr., BA, MA, EdD (Bayonne) Commissioner, Department of Community Affairs, is a former teacher and college administrator, former Mayor of Bayonne, represented Hudson County in the State Senate and served 12 consecutive terms in the New Jersey General Assembly, including 10 years as Minority Leader and two years as Assembly Speaker.

David Rousseau, BA, MBA (Hamilton) State Treasurer. Prior to becoming State Treasurer, Rousseau served as Senior Advisor to the Governor for Budget and Fiscal Policy and Deputy State Treasurer. Rousseau has spent his career working at high levels on the State budget in the Legislative and Executive branches of New Jersey government.

Hannah Shostack, PhD (Highland Park) serves as the Commission's Executive Director. Shostack previously served as the Assistant State Treasurer, Senior Director of Capital Programs in the Governor's Office of Economic Growth and as Principal Research Analyst at the Office of Legislative Services. In addition to her State service, Shostack has served on the Highland Park Planning Board and Design Review Committee.

Dennis Smeltzer, MPA (Philadelphia) assists the Commission in carrying out its research agenda. Smeltzer previously served as the Executive Director of the New Jersey Commission on Business Efficiency of the Public Schools where he conducted research on a variety of topics including school district regionalization. In the past, Smeltzer served on the boards of New Jersey Teen Arts and Quality Education New Jersey.

Stacy Spera, BS, MBA (Trenton) serves as the Commission's Secretary and is currently serving as Assistant to the Commissioner of the Department of Community Affairs. Spera previously served under the Executive Director of the NJ Housing and Mortgage Finance Agency and has over 20 years of State service.

APPENDIX B

Shared Services & Municipal Consolidation Technical Assistance Available from the Division of Local Government Services

1. Provide general technical assistance and advice on statutory provisions governing voluntary municipal consolidation and shared or joint services among local units. No legal advice or legal opinions are given.
2. Assistance with the evaluation of potential shared service feasibility. Guidance is offered on the conduct of feasibility studies and the analysis of potential savings or efficiencies to be obtained by intergovernmental cooperation.
3. Staff serves as a reference and referral point to other state agencies that could assist with the interlocal process (Civil Service, Law & Public Safety, Information Technology, etc.).
4. Assistance and direction is offered concerning the process (either elected governing bodies, an elected consolidation study commission or local option citizen group) for municipal consolidation studies or the transition to a consolidated municipal government.
5. The Division prepares an evaluation of the fiscal aspects of a proposed municipal consolidation.
6. In the event of a municipal consolidation being approved, the Division is required to convene a task force of state departments, offices and agencies to facilitate the consolidation and provide technical assistance as needed.
7. General advice on the development and content of shared service agreements. Suggested minimum provisions and language to protect the interests and rights of all parties to the agreement.
8. Assistance is offered with the evaluation and use of a joint meeting as the provider of shared services.
9. Staff provides assistance to applicants and potential applicants on the SAGE based application process for SHARE feasibility study and implementation assistance grants. Assistance covers SAGE access and authorization issues, assistance with navigating the SAGE application process, project eligibility criteria, application and supporting documentation requirements, submission and modification of applications. Similar assistance is available after grant award to assist with electronic grant administration through SAGE.
10. For consolidated municipalities, the Division assists with local property tax relief efforts required for residential property owners or residential tenants who experience property tax increases due to the consolidation.

APPENDIX C

NEW JERSEY OF DEPARTMENT OF HEALTH AND SENIOR SERVICES

Regional/Shared Services Assistance

Pursuant to the provisions of the *Local Health Services Act*, N.J.S.A. 26:3A2-10, each municipality is required to provide a program of public health services which meets standards set forth in *Public Health Practice Standards of Performance for Local Boards of Health in New Jersey*, N.J.A.C. 8:52.

The Department's Office of Public Health Infrastructure provides support to municipal, regional and county health departments, and local governing bodies and boards of health exploring opportunities for sharing or consolidating public health services.

Support is provided in the form of guidance, consultation and technical assistance for meeting State public health standards through Uniform Shared Public Health Services Agreements, the development and operation of regional Governmental Public Health Partnerships, and Local Public Health Systems Development funding.

Uniform Shared Public Health Services Agreements

In cases where a municipality chooses not to establish or continue to maintain its own local health department, it may satisfy the State standards by entering into a Uniform Shared Services Agreement with a provider local health agency. Such agreements shall be in conformance with the provisions of the *Uniform Shared Services and Consolidation Act*, N.J.S.A. 40A:65-1 *et seq.* The purpose of this shared services agreement is to assure that appropriate, required and needs-based public health services are provided within the contracting municipality. Such an agreement brings direct and full responsibility for administration, oversight and direction of all health services, staff and activities to the provider local health department, its health officer, and the local board of health. In most cases, the provider is also responsible for the direct provision of public health services for the recipient municipality as delineated in the Agreement. The Agreement shall be for a minimum of two years pursuant to the provisions set forth at N.J.S.A. 3A2-12.

Guidelines, technical assistance and a Uniform Shared Public Health Services Agreement template are available from the Office of Public Health Infrastructure.

Governmental Public Health Partnerships and Regional Public Health Systems

The purpose of N.J.A.C. 8:52, *Public Health Practice Standards of Performance for Local Boards of Health in New Jersey*, is to assure the provision of a modern and manageable array of public health services to all citizens of New Jersey.

Modernization of the public health system requires local health departments to address issues beyond their historic geopolitical boundaries. The need to identify common areas of concern, reduce duplication of effort, establish opportunities for resource sharing and/or consolidation of public health services, and the planning and implementation of such services, is being

addressed regionally in forums known as Governmental Public Health Partnerships (GPHPs). Each GPHP consists of the health officers (or their representatives) of each local health department in a county or multi-county area.

With guidance and technical assistance from the Office of Public Health Infrastructure, local health departments and their boards of health – through their respective GPHPs - have begun to work collaboratively, rather than independently, to identify community needs, develop public health policy, and assure the provision of quality services. The fourteen GPHPs covering New Jersey's 21 counties have taken the lead in strategic, regional community health planning by engaging all local health departments, as well as hospitals, community health centers, other health providers, local businesses and many other partners. These efforts have more recently resulted in the formation of county-based community partnerships and development of 21 county-wide and 2 city-wide Community Health Improvement Plans which identify high priority public health issues for their regions. These Plans are based on a rigorous review of mortality and morbidity data, behavioral risk factor survey, and, in many instances, include the results of broad community health assessments and consultations. Each Plan also contains implementation strategies for each of the identified priority issues.

The Office of Public Health Infrastructure routinely participates in regional Governmental Public Health Partnership meetings and works directly with strategically located public health partnership coordinators to advance public health assessment, policy development, planning and assurance through a regional coordinated systems approach. The Office of Public Health is available to provide further assistance to local health departments, boards of health and local or county governing bodies that are considering related public health resource sharing.

Funding for Local Public Health Systems Development

Each year, the Office of Public Health Infrastructure makes Public Health Priority Funding (PHPF) available to the majority of local health departments in order to address priority health issues. Similar funding is available to most county health departments in the form of supplemental realty transfer fees. Local health officers, in collaboration with their respective Governmental Public Health Partnership (GPHP), are encouraged to use PHPF and realty transfer fee funding to address regional priority health issues by building and supporting coordinated countywide and regional public health systems and/or shared services.

The Office of Public Health Infrastructure affords local health departments, through their respective GPHPs, the opportunity to pool a portion of this public health funding to develop and implement a countywide or multi-countywide Community Health Improvement Plan, which identifies regional public health priorities and methods for improving health. Funds may be used to acquire facilitation consultant services, or to study, develop and implement new shared and/or regional services.

Through a collaborative initiative developed by the NJ Department of Community Affairs (DCA) and the NJDHSS Office of Public Health Infrastructure, additional funding is available through the SHARE (SHaring Available Resources Efficiently) Program to support local public health systems development, to streamline governmental operations and reduce costs. SHARE Feasibility Study Grants are available to provide up to \$20,000 in assistance, while Implementation Assistance Grants offer up to \$200,000.

For Community Health Improvement Plan (CHIP) implementation, SHARE funding is available to support a feasibility study for shared and/or regional public health services, the development of an implementation plan and/or the implementation of specific public health systems activities that support and result in new countywide or multi-countywide shared and/or regional services addressing priority health needs. PHPF and/or realty transfer fees may be used to cover the 10% local matching funds required for a SHARE Feasibility Study Grant.

Additional information about this collaborative public health funding initiative, as well as guidance on how available funding may be used to support shared and/or regional public health services, is available from the Office of Public Health Infrastructure.