
Committee Meeting

of

ASSEMBLY ENVIRONMENT AND SOLID WASTE COMMITTEE

"Testimony from Commissioner Lori Grifa of the Department of Community Affairs and other invited stakeholders to discuss ways to facilitate service sharing partnerships among municipalities, particularly those municipalities subject to civil service."

LOCATION: Committee Room 11
State House Annex
Trenton, New Jersey

DATE: December 6, 2010
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Assemblyman John F. McKeon, Chair
Assemblyman John J. Burzichelli
Assemblywoman Pamela R. Lampitt
Assemblyman Charles Mainor
Assemblywoman Denise M. Coyle
Assemblyman Scott Rudder



ALSO PRESENT:

Carrie Anne Calvo-Hahn
Office of Legislative Services
Committee Aide

Keith White
Assembly Majority
Committee Aide

Thea M. Sheridan
Assembly Republican
Committee Aide

Meeting Recorded and Transcribed by
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ASSEMBLYMAN JOHN F. McKEON (Chair): Welcome to everyone.

You want to start with a roll call, please?

Thank you.

MS. CALVO-HAHN: Assemblyman Rudder.

ASSEMBLYMAN RUDDER: Here.

MS. CALVO-HAHN: Assemblyman Mainor.

ASSEMBLYMAN MAINOR: Here.

MS. CALVO-HAHN: Assemblywoman Lampitt.

ASSEMBLYWOMAN LAMPITT: Here.

MS. CALVO-HAHN: Assemblyman Burzichelli.

ASSEMBLYMAN BURZICHELLI: Here.

MS. CALVO-HAHN: Chairman McKeon.

ASSEMBLYMAN McKEON: Present.

Thank you all for being here, and particularly to my Committee members. This is now the fourth special meeting, if you will, that this Committee has had at the behest of the Speaker -- the first three meetings dating back to August and, most recently, through October -- focused on State mandates. And I'm pleased to say that a very significant piece of legislation -- sponsored by the sub here today, who is more of a -- second time you're here, Assemblyman Burzichelli -- that's getting to the Governor's desk and will be an important part of the solution as we work, collectively, together.

This is the second half, if you will, as it relates to this Committee's unique charge from the Speaker, and that's to deal with consolidation of services, if you will. What is that, and what is it not? It's

not mergers; I want to make sure that that's clear with everyone. If there are two communities that would like, literally, to merge with another, the Commissioner's here. I'm certain that there are laws and rules and regulations in place if, indeed, two communities had the desire to do so. So I don't believe that we need to deal with that from a legislative perspective. At least my own personal philosophy, and I think shared by many of us, is that the State shouldn't be in a position to force any communities to do that. My favorite example to think of-- And John, I'm sure you could speak to, I think, a couple of years ago when, prior to Senate President Sweeney in your district, there was a very interesting discussion about, if you will -- you know, when we're talking about consolidation of education services -- how the community acted viscerally.

My own story is that South Orange-Maplewood, two communities that are almost synonymous -- you say it and it rolls off your tongue -- that already share a board of education and a school system, which is usually the thing that's most tumultuous in trying to deal with consolidation -- they just had a vote to study merger -- a vote. And it was defeated soundly by both communities. So that's the culture that New Jersey is. And, again, my own philosophy is that the Legislature shouldn't be forcing this; but rather, if any communities want that to happen, if there are savings to be realized, that through the Commissioner's Office, I'm sure that State law would accommodate that now.

So what are we here to talk about? That is, really, interlocal agreements, if you will. Something that we can all term public-to-public agreements, where one community may have a health officer who is retiring that wants to explore the ability to outsource that particular part of

municipal government to another town that has the capability and capacity to provide that. Frankly, beyond that, because of these very extraordinary economic times, with decisions that will be made by mayors and councilmembers, it may be they may not have the ability to wait for attrition; but rather, they may determine that they can take their health services and there may be a neighboring community that might be in a position to provide those in a more cost-effective way.

So what we're here today is to talk about the barriers between agreements just like that. To talk about, beyond those non-uniformed services, uniformed service agreements -- where fire departments might, between two communities, be in a position to become one -- whether or not there will be a receiving town versus a sending town, if you will, or whatever nomenclature you want to use. As a practical matter, there are a lot of components that currently make those kind of public-to-public agreements a little trickier than they might sound. And that's what today's hearing is about.

With that, I would like to invite and pre-thank Commissioner Lori Grifa, who is here to testify today. I think her presence demonstrates with this Committee -- demonstrates very much a willingness and a need to work cooperatively, as we are able to set the stage to allow our State and the way we deliver municipal services to kind of enter into a new era.

So Commissioner, we all are, collectively, thankful for you working with us in a bipartisan way, and look forward to you leading us off with testimony today.

For the most part this is going to be invited witnesses, so everyone knows that we start off with the Commissioner; and then the

League of Municipalities, as they continue to do, has been great from a point in bringing some key mayors and other professionals to continue to vet this issue.

So with no further ado, Commissioner, let me just, please, have the courtesy of all the members who have been very hard working in here: Would any of you like to make any pre-remarks?

ASSEMBLYWOMAN LAMPITT: No, good. Thank you, though.

ASSEMBLYMAN RUDDER: No, but thank you, Chairman.

ASSEMBLYMAN McKEON: Okay.

Commissioner.

COMMISSIONER LORI GRIFA, ESQ.: Thank you and good morning.

Mr. Chairman, I appreciate the opportunity to speak with you and the members of this Committee about a subject that we all care about: property tax relief.

As you all know, the Governor put together a 33-bill package, called the *tool kit* which is designed to address the fundamental drivers of property tax increases. To date, only three of those measures have passed the Legislature, and we're hopeful that the remainder will be addressed quickly so that we can achieve real and meaningful reform.

The tool kit, as many have noted, is absolutely critical to New Jersey's future. I'm sure the representatives of the League of Municipalities may address that in greater detail. The measures in the tool kit give the towns and school districts more power to hold down pay increases, find

efficiencies, and reduce duplicative processes and services; and, to that end, get property taxes under control.

The Governor took a major step towards this goal in July when he announced, with bipartisan support, the Cap 2.0 law. Cap 2.0 cuts the current cap in half -- the former cap in half -- and limits the cap exemptions to only four. Cap 2.0 puts the decision to raise property taxes in the hands of the people of New Jersey by requiring any waiver of that cap beyond the four exceptions be ratified by a majority vote of the people in a referendum.

In order to stay within that cap, towns will ultimately have to find efficiencies by exploring and entering into shared services agreements, the subject which brings us here today; and they'll have to do that with their neighbors.

The passage of the tool kit is absolutely essential to our local municipalities to meet the 2 percent cap and give local governments the tools they need to rein in expenses and significantly limit property tax increases. We believe that shared services agreements will go a long way towards that end.

The time is over for these gimmicks that were aimed at municipal governments that failed to cap spending or achieve property tax relief. The series of exemptions that existed under the former law rendered that 4 percent cap basically meaningless.

The Governor clearly realizes that the cap is insignificant without giving local officials the ability to impose it, and that's why we need the tool kit reforms to be enacted. Nearly three dozen proposed reforms move New Jersey in that direction. Legislation in the tool kit directly addresses shared services and the impediments that municipalities face

when contemplating entering into these agreements with their neighboring towns.

In your invitation you asked me to come here today and specifically address the issue of shared services as a means of controlling property taxes and incentivizing local governments to become better stewards of their taxpayers' money. I am happy to do so.

Shared services take many forms. In our experience, some of them are very informal. They are virtually handshake agreements between local units that allow for the borrowing of equipment or supplies on an as-needed basis or on a per-project basis. Some are formalized through memorandum of agreement that serves as the basis for the periodic sharing for these recurring needs. And then there are efforts such as cooperative purchasing and joint insurance funds that operate by creating special purpose systems or units that provide the shared services.

Local governments know what shared services they need and they can be very innovative in getting them. Although the DCA's Division of Local Government Services has the expertise to guide a municipality through the process, we find that municipalities have been quite creative in forging these arrangements when the political will to do so exists.

As a result, there have been many successful examples of service sharing arrangements throughout the state; however, significant barriers still exist. Principal among them are current laws and regulations that discourage consolidation when a non-civil service municipality attempts to enter into a sharing agreement with another community that operates under a civil service statute.

At present, we have 194 municipalities in this State operating under civil service rules.

I'd like to report a number of examples of failures, unfortunately, because of the disconnect between towns that are either civil service, or one is civil service and one is non-civil service. So for example: Recently, two North Jersey towns that share a construction code failed to achieve an arrangement because of civil service issues. Ogdensburg code work was taken over by Sparta through a shared services agreement. This relationship has worked well since Sparta surrounds virtually all of Ogdensburg -- basically three sides. But they tried to work out a similar arrangement with neighboring Byram, which is a town that shares only a small part of its border with Sparta, but there were civil service issues that arose involving employee classifications and status, and that necessitated this shared service discussion be placed on the back burner.

In another example, Butler and Riverdale came together in a serious discussion about merging their police services, looking for fiscal efficiencies. Discussions were held, but ultimately the shared service attempt failed. One of the biggest impediments was civil service: Butler was a civil service town, but Riverdale was not.

There are four towns in South Jersey that are attempting to come together to provide shared service efficiencies for their own towns. They report to us that one of the major hurdles they've encountered is civil service restrictions on employees' seniority and bumping rights.

Just Friday, a mayor from a Hunterdon County town reported to me that this week two municipalities, three Hunterdon County boards of education, and one municipal utility authority will enter into a shared

service agreement for a solar energy project. I believe all of the governing bodies in that discussion are very proud of what they've achieved, but when I asked that mayor in our conversation on Friday whether he thought that this would happen if any one of those units was governed by civil service, he told me it would not. He suspected that it would have been scuttled long before they got to the agreement stage because of the complications civil service brings to the table.

I've offered you a number of examples of failures, but we've heard from numerous other civil service municipalities throughout the state. They have told us that one of their biggest obstacles in achieving fiscal efficiencies has been the civil service because it's tying their hands.

We would not only encourage reform, but we would implore the Legislature to at least talk about the current bills that would effect real reform. Needed reform is what we see in S-2039. This bill would allow the municipalities, counties, and school districts to withdraw from civil service. It would allow this by referendum held after the submission of a petition signed by the required number of qualified voters, or the adoption of an ordinance or a resolution by the governing body.

Streamlining the existing process for sharing services and municipal consolidation, removing barriers, and introducing greater flexibility for municipalities to design their own procedures would greatly enhance the success of achieving shared services agreements.

Many towns have asked us about financial incentives for shared service agreements, as well. Although the Governor and I share the view that providing upfront incentives to start shared services discussions and arrangements can be helpful, they are not absolutely necessary to achieve

shared service agreements. And the absence of such upfront monies should not be seen as an impediment to entering into a shared service agreement. We believe that those who enter into agreements will recognize significant savings from doing so.

The DCA had a program called SHARE; it was a grant program designed to incentivize shared services agreements. Over the three-year history of the program we expended significant funds, but I regret to inform this body that I believe we only had one successful shared service agreement. All of that money went to pay consultants who issued reports, which I'm sure were helpful in guiding the governing bodies to come up with insights and get towards decisions but, unfortunately, it did not result in any successes, or significant successes, such that it was worth continuing the program. And that program has been unfunded in the next year's budget.

The Governor and I both agree that encouraging more shared services -- whether formally or informally -- is both advantageous for those of us in government and for the taxpayers. But this upfront money, in and of itself, we do not believe is the answer. We are now focusing our efforts on providing municipalities with resources and tools to move ahead with shared service programs. So I am pleased to report here today that the DCA's Division of Local Government Services is working hard to recalibrate our efforts on shared service practices, as well as to become a repository for shared services documents and advice.

To that end, the Department is finding a creative way to use technology to advance governmental efficiency. Specifically, we have a program called GOV-STARS. This is the Government Service Tracking and

Reporting System. It is an Internet-based application that will allow local government users to post information on how their local unit provides services to their residents.

GOV-STARS will allow both local officials and the DCA's Division of Local Government Services to cost-effectively comply with the provisions of the Uniform Shared Services and Consolidation Act that requires all new shared service agreements to be filed with the Division.

A critical part of the GOV-STARS system will be its searchable database. It will allow State and local officials and, ultimately, members of the general public to locate, examine, and print copies of the stored information.

This resource of how services are provided can be used to identify possible partners for new shared service programs and access contact information. The economics of sharing services can be realized more quickly, with fewer false starts or problematic issues.

In closing, the time has never been better to foster and implement more shared services agreements. Given the state of the economy and the difficult financial situation in which we find ourselves, the Governor and I are actively asking municipalities to continue to think outside the box to become more efficient. We also recognize that the Legislature is asking the same.

Despite these challenges, many municipalities are finding ways to operate more efficiently and cut costs, whether it's through shared service agreements with neighboring towns or negotiating employee contracts with the taxpayer in mind. We applaud these efforts and encourage

municipalities to continue finding creative ways to run government efficiently and cost effectively.

Mr. Chairman, I'd be very happy to entertain any questions; and, if there are none, I'll yield the floor.

ASSEMBLYMAN McKEON: Thank you, Commissioner, very much.

I've got a few questions, and I'm going to, certainly, have members of the Committee go forward.

I guess, from the tenor of your testimony -- I'll let you correct me -- it seems that you think civil service is the biggest barrier to shared services between towns?

COMMISSIONER GRIFA: It is a significant barrier. We have 194 towns that are, basically, not being invited into the process because of either actual complications that are associated with the laws, or perceived complications associated with those laws.

ASSEMBLYMAN McKEON: So we have 370 -- if that's about the number -- towns that are non-civil service who don't have that particular challenge as it relates to public-to-public agreements, correct?

COMMISSIONER GRIFA: Yes.

ASSEMBLYMAN McKEON: So certainly, give or take about two-thirds of them.

And then the civil service towns, in and of themselves -- I'm not sure how they're spread out; if they're contiguous, or otherwise. That would be interesting to know. But that wouldn't be a barrier for them if they're civil service to civil service.

COMMISSIONER GRIFA: Agreed, agreed. The complicating factor is absent in a non-civil service town.

ASSEMBLYMAN McKEON: So then beyond that issue, knowing that there's at least two-thirds that don't have that issue, and the other third that don't if they kind of work with each other in those two different areas, what's the next major reason why we don't see more of this -- from a perspective of what the Legislature could do to facilitate that?

COMMISSIONER GRIFA: Well, I would think that it's changing, and I think it's changing-- I'm in this position roughly a year, and I would say that even in one year I've noticed a change. But I would say to you that political will has been an impediment. I've had, regrettably, some difficult conversations with mayors who have said things I think are not truly accurate. I've had mayors tell me that they can't engage in a shared service agreement because it would change the character of their community. I've had mayors tell me that it would result in job loss, and they were unwilling to have any sacrifice within their own community, even if it would benefit two or more communities. I've had things said to me that, in a vacuum, don't seem tremendously insightful. But I will also say that, in a year, we are getting calls. I have a new mayor in West Essex who is desperately trying to get on the calendar this month to try and discuss shared service arrangements with some of the West Essex towns.

ASSEMBLYMAN McKEON: Oh, you don't mean Joe Alessi, do you?

COMMISSIONER GRIFA: I'm not naming names. (laughter)

ASSEMBLYMAN McKEON: Full disclosure: He's a close, personal friend, notwithstanding that he's a Republican. (laughter)

COMMISSIONER GRIFA: Yes, but as you know, Assemblyman, though West Essex towns are small and fiercely independent, but might profit from shared service arrangements -- both literally and figuratively. So I am very pleased that we are -- of the nature of the communications that we're getting from the field, as it were. But I think a couple of things: I think these things have to happen organically; I think there has to be a local interest in getting it done; and I think the State needs to be open-minded about facilitating it. And I think it's incumbent upon our shared responsibilities in our respective position in the Executive and the Legislative branch to make sure that we remove as many impediments to the process as there are or perceived to be. And civil service is one of them.

ASSEMBLYMAN McKEON: There's no question -- I don't think anybody could disagree -- if you had a non-civil service and a civil service town that happened to be having serious discussions, that that would be an additional challenge to get through.

But I guess I'm making -- my point is that we have plenty in either category right now that exist to be able to deal with each other, but we don't see it happening. And at least from my experience, I was going to kick around some other challenges that I know of and then hear what you think about what we might be able to do.

And one of which is control. If that hypothetical I gave about a health department was to go from town *X* to town *Y*, how is the mayor of town *X* -- what do they do, he or she, to deal with when they get a call from a constituent relative to whatever health services you could think of -- dog licenses aren't being handled efficiently; I can't get a hand on my --

whatever it might be; the millions of things that health departments do. I can't get my restaurant inspected in my town. Control -- as issue one.

COMMISSIONER GRIFA: Well, as a former Mayor, Assemblyman, you were getting those calls anyway.

ASSEMBLYMAN McKEON: Well, right. You just want to say, "I'm sorry, because I want to hear what you have to say." But I would have a concern if I had a local-- If I outsourced my health department, I would have a concern, as mayor, that I would lose the direct control of calling my health director to say, "Get out to the pizzeria and get it inspected."

COMMISSIONER GRIFA: I think there has to be an understanding between the mayors and the governing bodies of the towns that are sharing that there has to be a sensitivity; and simply by giving up your health officer for the greater good of the two municipalities, that does not mean you become the stepchild and that you don't get the same level of attention.

But that's something that I don't believe to be an impediment; I think there might be more perception issues than are realities. One of the things that I've hoped to do is to try to foster relationships with the larger towns with their smaller brethren -- sort of become the big brother or the big sister to the smaller towns around them. One of the surprising things that I found is there are some arrangements that have evolved, again, locally and organically between very large municipalities, which is something, frankly, I did not anticipate. Because I would think that the demands of the very large municipalities such as your own, Assemblyman, might preclude it from sharing with another very large municipality. For example:

One of our earliest successes -- and this is not something that the State can take credit, nor can my Department, because they did it on their own -- is Toms River and Brick entered into a shared service agreement for construction code inspections. And those towns are almost exactly the same size in population.

ASSEMBLYMAN McKEON: They're big.

COMMISSIONER GRIFA: And they have a great, significant geography. I would not have expected that service, frankly, to be one that could be shared, but they are making it work. Now, I'm not saying it's perfect; I'm sure they've had a few moments, and there's been some hiccups along the way. But that agreement has been in place for more than a year, and I've had both mayors in my office and I understand that it is something that is cost-effective, and it is something that they are inclined to continue.

So the communication lines must remain open, but there must be a commitment to the cost-effectiveness and certain efficiencies. And sometimes, I'm sure, that perhaps the pizzeria might not get inspected as quickly as one might perceive it should be, but that's not a reason not to explore and enter into something such as this.

ASSEMBLYMAN McKEON: It's interesting -- I know Mayor Acropolis, and I'd be interested -- and we should make a note of that, Whitey -- to find out about issues relative to that arrangement, because you're absolutely right: They're big, probably 150,000 people between both places; they're huge -- 200,000.

The second issue -- and again, looking for your wisdom on this -- is getting paid. If whomever is controlling the services in those towns that we now discussed, how can the town that's providing all of them for both

towns be assured that they're actually going to get paid, if you will, their proportion?

COMMISSIONER GRIFA: In all due candor, Assemblyman, I have not heard a complaint about that. I've heard of other tensions, but the failure to be paid or the lack of the forthcomingness of that payment is not something that's come to my attention. So as far as I can tell, what's in place to date-- There has not been, as I said, been brought to my attention any inequitable treatment in terms of the timing or the amount being paid. No disputes of that nature have been brought to our attention. I'm not saying they don't exist; they just haven't been brought to our attention.

ASSEMBLYMAN McKEON: From other proposed agreements, like you pointed out in your testimony today -- some of the challenges you've heard about -- I've heard from other towns that that's been a concern: to make certain that the quarterly payments are going to get there in order to--

COMMISSIONER GRIFA: Well, one of the things that I would do, and I make this offer here: To the extent that there are towns that find themselves in that situation, I would offer the services of my Department to mediate that problem. If we're going to have matches, if we're going to start to make couples, I would hate to see them, sort of, uncouple because payments are coming late. I mean, there's really no reason for that. So to the extent that we could be of service of making sure that people don't lose sight of the greater good, then I'd like to try to make my Department a part of that discussion.

ASSEMBLYMAN McKEON: I have no doubt that you'd be a good matchmaker. (laughter) But as it relates to what we could do to be

able to -- similar to how a municipality has a lien -- first lien. Paramount to anything on taxes coming in as a revenue source, I'm wondering if there's something that we can do, as a part of a piece of legislation when there's a true public-to-public partnership, to give a lien, if you will, to the town that's supposed to get paid by the other town.

COMMISSIONER GRIFA: I would suggest that, perhaps, if we were going to try to put in some assurance in writing, that we would sort of proceed by the less restricted means at the outset. And so if that means that we would try to do something to provide either guidelines or even regulations, do something, perhaps, through the local finance board before we start to talk about a statutory requirement. If there's more anecdotal evidence -- and I would hope that the Legislature and my office could continue to share them. I mean, I get great information anecdotally from members of this House as well as from the Senate. To the extent that we need to move in that direction, I think we should talk about where the breakdowns are and how, collectively, we can fix them.

ASSEMBLYMAN McKEON: Do you see that your Department -- and I appreciate what you just said -- do you see your Department as having a statutory role? I would assume that any of these public-to-public agreements will be written in contract -- besides the handshake that I'm going to send my leaf blowers to your place for a couple of weeks, and you owe me in the future -- that they're going to be written. Would you expect DCA would need its imprimatur on any agreement between communities?

COMMISSIONER GRIFA: I don't believe that we have any authority to bless it or to reject it at this point.

ASSEMBLYMAN McKEON: Do you want it? That's what we're talking about here.

COMMISSIONER GRIFA: I'm not sure it's really necessary. I mean, I think the Governor and I like the idea that these decisions are happening locally. It seems when the State plays too great a role, it tends to undermine the political will. I mean, we would rather have people come to us with what they're doing and each share with us what they're doing so we can use that as a resource for other communities, as opposed to us to tell them how it ought to be done. I'd rather tell them about successes we've observed, as well as failures; I'd rather provide that resource through a searchable database which has developed than to specifically give it either our blessing or withhold that blessing.

And if you would indulge me in a personal anecdote: I was a town attorney in Verona some years ago -- about six years ago. And the Mayor at the time, who was a person who came from the private sector and was relatively new to elected politics, wanted to engage in cooperative purchasing for sanitation in the West Essex area. And he asked me, in my role as town attorney, to inquire of the State whether there was any sort of cooperative purchasing agreements or any ability to share that, such that we could use it as template to guide our discussions. And you know, it would be one thing if other towns didn't want to do it, but we should at least have a shot, and some guidelines, and some samples to use to further that discussion. And my experience back then was there was nothing being saved, there was nothing being offered to local governments who were exploring these things.

And if nothing else, we're providing a much better service six years later, perhaps because it's technology driven. But we are actively trying to enhance our role, and I actually have a fairly senior person who's specifically dedicated to managing these discussions and these relationships.

ASSEMBLYMAN McKEON: I have to again compliment you and the Department on its efforts that it's making to make these marriages, if you will. But this Committee is here to determine what, if anything, we should do from a statutory perspective to remove barriers of shared service agreements between towns. The only thing I've heard so far is, "Just get rid of civil service and everything will be better." But I'm not one to be accepting of that in light of the proportions that exist out there and, frankly, the dearth of these kinds of agreements. My opinion is, you're right about the political will, but there are other factors that I'm hoping that you'll help us with to get to.

The next issue would be capacity. These last two issues -- before I turn it over to the panel, if there's any other questions -- are related to each other. The fact that shared services are going to lead to savings of taxpayers, right? That's what this is all about -- being more efficient -- presupposes that one town has more capacity than it needs in order to perform the services that they're performing, right? I mean, unless you've got people sitting around, not working half the day, that's a component. On the other end of it, the only real savings that is out there in the long run is doing it with less people or personnel costs. And how is it that we work through -- and this is where it starts to get complex -- where people do have, whether it's through civil service or non-civil service, vested rights and their employment status in the municipality; and there's a shared service

agreement that comes into place and, indeed, a half a dozen people lose their positions in that health department because the town fathers believe it can happen in a more effective way by outsourcing it? What protects those individuals from our-- In six months, it's not working out. What's the right length of agreement, town to town, in order to justify letting a number of people go that might have seniority?

COMMISSIONER GRIFA: I would defer to mayors on that, on how long that they would be willing to try it. One would think it would be a year or more; it would take some time to determine whether it was working or not working. We have some-- I think we have one example of a significant uncoupling that's happening in Camden County -- it's complicated. So we talk a lot about -- and, I think, we're sort of on the same page on this, Assemblyman -- where a town has the capacity to provide a service, or they're going to enhance their capacity to provide a service with the revenue that's going to be shared from its neighboring town.

But what we haven't talked about -- and something that we cannot ignore -- is that, assuming a town gives up the service and there's a divorce, how long are we going to require these folks to stay together until such time as they can build that capacity up? And that is something that I think my Department is going to have to, at the very least, provide guidelines on.

ASSEMBLYMAN McKEON: And I'm asking, on behalf of the Committee that's been charged through the Speaker in trying to explore this issue, for help and guidance. Because the issues are really complex -- you know that. And, again, with the greatest of respect, all we're hearing

about the tool kit is, "Hey, get rid of civil service, and towns will get together, don't worry." We're not seeing that up to this point, because the issues are quite complex. We're happy, and I want to be productive and looking at some of those issues, to see what the Legislature could do to better facilitate these agreements happenings. But I don't think it's just as simple as civil service, non-civil service. And whether I did it in an articulate way, I'm trying to come up in front of everybody with some of the issues that are complicated.

I'm going to shut up -- standing ovation. (laughter)

Questions.

Assemblywoman Lampitt.

ASSEMBLYWOMAN LAMPITT: No sidebar comment?

(laughter)

ASSEMBLYMAN McKEON: You didn't say anything to me -- I was waiting.

ASSEMBLYWOMAN LAMPITT: Good morning, and thank you for coming.

COMMISSIONER GRIFA: Good morning.

ASSEMBLYWOMAN LAMPITT: You know what I find interesting about all of this is -- because I work in a different capacity: sort of corporate America, but sort of government-related sort of area, as well, in my personal life. And in that world we really try to capture what is going on in corporate America that's going well, in terms of change, in terms of how does change happen? Because I think we all sort of grapple with: How does it work? And what works for us? And could it work for us in our capacity that's worked successfully elsewhere?

So in my world right now I'm reading a book called *Switched*. And they talk about, basically -- no correlation -- the elephant and the rider, okay? And what they tell you is that the elephant has a lot of compassion -- and I would see this as the mayors of these towns -- a lot of compassion, and the heart and soul are in these towns. And the rider is somebody who actually, really, is the person who actually helps to funnel the change. And the rider is actually somebody who, through the funneling change process, needs that outcome, needs that example, needs that deliverable to be able to get to that point.

So here we are with the elephant and the rider, similar to our towns and our municipalities. So how do we get them to change? One of the things that I thought about when I was sitting on Council in a very significant town -- Cherry Hill -- was that, to my surprise, most of the people who live in Cherry Hill thought that, for sure, everybody who impacted that budget -- everybody who impacted that budget -- that that property tax bill that I got -- they all talk together. I made an assumption. To my surprise when I got onto Council, I realized that didn't happen.

So when we're talking about shared services, and we're talking about trying to have better collaboration together so that the property taxpayer actually is getting the best services for the best price, we're really not even starting where we need to start. As Chairman McKeon pointed out, 370-some-odd other municipalities are non-civil service -- significant impact for the State budget. They're not even being given the carrot and the stick sort of approach to require these silos -- budgeting silos to come together and say, "You know what? You must talk together. You must come together and actually have a conversation about your own

implemented, sort of, shared services.” We’re not even doing that. And it’s really disappointing, because there are so many opportunities in and amongst themselves to be able to buy more efficiently, manage more efficiently, and we’re not setting the rider examples here for our municipalities to be able to do even that.

So I have a bill -- of course, everybody has a bill. And the other thing, I think, that’s been pretty surprising for the shared services, consolidation, civil service aspect is that we live year-to-year here. And if we don’t think about broader -- past one year to be able to do projections, be it labor negotiations, negotiated contracts-- Because if we don’t stop the burn, so to speak; if we’re doing negotiated contracts and we’re not thinking ahead about three years, five years down the road to be able to say, “You know what? I don’t think we can negotiate. Let’s do a year extension. Let’s do something else to get us to the point where we’re at least on the same sort of negotiated calendar pace,” we’re not even projecting.

So here we are just trying to figure it out, talking about civil service reform. And I find it somewhat perplexing from the Governor’s standpoint that he’s taken some bold steps, some bold changes, and here if you look at some of the towns that are in the State of New Jersey, there are towns that shouldn’t even exist -- they’re less than one square mile. So you know, maybe the Governor should be bold, and maybe the Governor should just put his fist down and say, “Anything less than one square mile, that’s it. You have a year, and we’re closing up the shop, and the lights are going out -- NJN -- I mean, the lights are going out.” That would be a bold step. And why wouldn’t the Governor take a bold step and just put his fist down and just say that?

So that's the course of talking about *Switched*, that's talking about change, that's talking about the elephant and the rider, and making some bold changes.

Here we're talking about civil service yet again. We'll make some tweaks, we'll make some changes. But let's be bold. Let's think about how we're actually going to reshape New Jersey to try and do that carrot and stick approach to making even these internal towns, that are not civil service, requirements for change. We just keep on going around and around.

COMMISSIONER GRIFA: To your point, Assemblywoman, as part of the best practices initiative that was rolled out by my Department this year, there were some of those issues addressed. By way of example: Something that was new to me in my position here, and sort of astounds me as a person and a citizen and a taxpayer -- I only have just come to realize that the governing bodies of towns and the school boards of towns have a very complicated relationship, depending on the town. So as a best practice, we have required at least one joint meeting a year. There were people in my office with more local government experience than I, who told me that even one meeting would be a remarkable change because there was so little of that communication. And in terms of the budget silos: As we get further into the 21st century and technology continues to improve on a daily basis, the accessibility of that information, and the demand for accessibility of that information, I think is going to guide this process. We are getting constituent communications through our website on a daily basis, and we get asked questions like, "How can I get a copy of the Best

Practices questionnaire?” “What was their answer as to this?” “Does my town have any shared services?”

I think that, to a point, Assemblywoman, there is going to be a pincer approach. I think to the extent that State government can be a rider, it will; but I also think the grassroots-- Because people who have been in either a for-profit or a not-for-profit sector understand that not everybody needs to have their own set of snow blowers and snow plows, and so maybe we could share those things where the geography, and the size, and the capacity will permit, and that pincer will close.

But it probably could only happen in fiscal times like these. But I do think that I can report to you, in earnestness and due candor, that we are getting that kind of grassroots communication. I personally get e-mails weekly from concerned constituents, and we have the encouragement of the Governor to have that kind of communication with constituents. I mean, clearly, I am not the repository of all of the information in the Department, and many times I have to refer that into other places, but we are getting those kinds of communications and we are trying to be that resource to both the governing portion of the public and the public at large.

ASSEMBLYMAN BURZICHELLI: Good morning, Commissioner.

COMMISSIONER GRIFA: Good morning.

ASSEMBLYMAN BURZICHELLI: Thank you, Chairman.

First of all, I thank the Chairman for his invitation to be here today. The legislative process is underway -- there is going to be action on civil service, there is going to be action on interest arbitration.

And what the Governor has identified as key parts of the tool kit are going to be concluded, I'm confident, as this year closes out; as we intend to make that commitment and to make that happen.

But a couple of questions -- maybe just one question: From the Department standpoint, has there been an identification of what the ideal size of the community should be with regards to efficiency? Should it be a population of 10,000, 20,000, 60,000? Do we have a sense of-- Has any survey work been done internally to say, "This is the ideal model to deliver local government services at the most efficient structure."

COMMISSIONER GRIFA: There has not been a survey, Assemblyman, and the reason for that is we are continually surprised by what is working and what people are willing to do. I never would have thought that two communities the size of Brick and Toms River would share anything, because I would think that populations bordering on 100,000 people would provide as much demand as their capacity would permit. I really thought we would see more of the East Brunswicks, and Helmetta, and smaller towns that surround it; or the holes and the doughnut -- the Metuchens and the Edisons, and the boroughs and the townships. I really thought we would see more of that. That's not necessarily following. I frankly, personally would have thought that the holes and the doughnut -- they're all over the state: Egg Harbor, Chatham, Metuchen, and Edison, I thought for sure -- Hopewell -- I thought for sure that those would be natural fits for shared service, and that has not necessarily been our experience. But we are hopeful that, as the realities of our economic situation continue to sink in, that people are going to be more open-minded about trying these things.

So we are sort of loath to project an ideal. We really would like to keep it as open as possible. If we can help those, no matter how big or how small, guide their way through the process, it's my commitment as Commissioner that we will do so. But we have neither completed the survey nor have we really come up with anything anecdotally that would suggest that anything is ideal.

ASSEMBLYMAN BURZICHELLI: The reason I ask that, through the Chair, is -- I'll give you an example. The 3rd Legislative District -- where me, Assemblywoman Riley, and Senate President all reside and represent -- we, I think, are an interesting study because we represent all of Salem County, and its entire population is probably around 65,000. That entire county population is less than the community that Assemblywoman Lampitt mentioned, which is Cherry Hill. And so you have, in Cherry Hill, one government, one school system, and the number one issue is property taxes.

In Salem County I have multiple governments, multiple school systems -- out of 65,000 people. And so if I were to say to my constituents in Salem County, "We're going to put everyone together, whether it be consolidation or a series of sophisticated sharing of services, and that's going to bring us to a point that solves this problem." If it's not working with 65,000 people in Cherry Hill as one entity, what do we know that says it would work in all of Salem County, for example? And it's almost a rhetorical question for the purposes of discussion, because I don't know what the number is. Chairman McKeon mentioned it as well in his comments. We have a couple of locations where shared services are in place, and we still have issues with property taxes.

So as we grapple with this-- I mean, we understand interest arbitration. The Chairman is taking us, as we conclude this work, on the civil service side. It seems to me it's going to be a lot of little pieces, because I'm not finding the single answer that says, "You know what? If you do this, you're in a perfect place suddenly."

Thank you, Chairman.

ASSEMBLYMAN McKEON: Thank you, Assemblyman.

For whatever it's worth, I'll show you how old I am: Going back to the Whitman Administration, when I was first Mayor, they had teams that went out to do efficiency studies. And I know you've been Mayor for a long time, too. For whatever it's worth, their conclusion and, Commissioner, something to look back on especially when you use Brick and Toms River--

COMMISSIONER GRIFA: You know I'm going to have to call those mayors now, because I gave them up here. (laughter)

ASSEMBLYMAN McKEON: No, no -- only in a positive way.

I'm a taxpayer in Brick; I could call them if I want. (laughter)

The 50,000 was the number that they gave -- the conclusions of the study through the Whitman years was that was about the right size for a region, for whatever it's worth.

Assemblywoman -- welcome.

ASSEMBLYWOMAN COYLE: Thank you, Mr. Chairman. I apologize for being tardy. And welcome, Commissioner, and thank you for being with us today.

It was interesting-- I hail from the County of Somerset, where we have had a very active shared service contract throughout our 21

municipalities for 12 years now. And going to Assemblywoman Lampitt's question, there are excellent models out there. At that point we used Maricopa County, in Arizona; and Portland, Oregon, who had extremely innovative shared service models that moved across municipal boundaries and municipalities of all (indiscernible), shapes, and sizes. And we, too, as we were setting up our shared service agreements, which account for-- The number is \$400 million, \$500 million a year in savings, and that's with loose agreements within our municipalities where they contract between the municipalities on various things from snow removal, street cleaning.

And we're really-- We've been acknowledged -- Somerset County has been acknowledged for their innovative shared service program by the State, by the League of Municipalities, and by a number of private organizations. And we would readily acknowledge that we simply, even with the \$400 million to \$600 million savings a year, have scratched the surface.

We do not have civil service in our County. I think it allows us to be a lot more innovative and a lot more flexible. And it has removed barriers of sharing services, but there are other significant barriers; it's very difficult. We've had numerous conversations in the merging of police departments and have a very strong initiative to merge -- looking at county - - emerging county police departments. And at a number of police departments, we've done a survey on it. But there are labor negotiation issues that are very much in the way there that the Governor is looking to address, especially through the binding arbitration reform. As I said, we do not have civil service issues to address.

We have established through the County an innovative resource program for municipalities to come together with the carrot and stick approach about -- with dollars. We buy all police cars, for example, through the County -- all the municipalities' police cars we will buy through the County. We get our AAA bond rating, and we are buying in a very large amount; and we've been doing that routinely now for 10 years with our municipalities who take advantage of that.

Our 9-1-1 system: Almost every municipality -- and we have, in the County, we have Franklin Township which has about 60,000 people; Bridgewater Township, which has about 45,000 people who use the County 9-1-1 system. And it's a significant cost sharing to each of the municipalities.

So there are very innovative things that can be done with shared services -- we always do partnership and cooperation -- is what I found. And there are many more details, obviously, on why the program was a success; and where the failures in the program existed and what we've done to address them. And one of the things that we've looked for from the State -- and I'd love my colleague Assemblywoman Lampitt to come on this bill, if she'd like -- I have a bill out there that would allow a county board of freeholders to establish sharing resources grants, a grant program to encourage shared services and more municipal consolidation.

I think there's many different avenues to look at to encourage shared services. And I really find that one of the things that we learned in Somerset over these last 10 years is there isn't a boiler plate, and you have to allow municipalities to be flexible and contract as they see best for each

of their individual concerns and their constituents' concerns in each municipality.

Thank you.

ASSEMBLYMAN McKEON: Thank you very much.

Assemblyman.

ASSEMBLYMAN RUDDER: Thank you, Mr. Chair, Commissioner.

Where I come from in Burlington County, I represent 17 towns there. Most towns are not civil service, and I found that my town where I was on Council and Mayor for 10 years -- we've had fluidity with regards to sharing services with neighboring townships, school districts for joint purchasing, bulk purchasing, etc. If the greatest impediment is, or that we're finding is, that townships are struggling -- we're trying to match up the type of government they have non-civil service versus the civil service -- there has to be reform that we're looking at. And I know we have legislation that's pending, but there are also things that I'm curious whether the DCA or other agencies can do to provide incentives from a regulatory perspective. So we're talking about grants and other financial things while towns are broke, counties are broke, the State is broke. Just curious if -- other methodologies that might be employed that would incentivize towns and other governments to share services, providing a fast track for various grants or things of that nature.

ASSEMBLYWOMAN COYLE: We do that.

ASSEMBLYMAN RUDDER: Yes, but how is it being utilized? And how is it being advertised?

ASSEMBLYWOMAN COYLE: I have to say, you know, the one thing-- During the Whitman Administration, going back to Chairman McKeon's comment, she fast-tracked -- whether it was grants, permits -- for municipalities that were doing shared services or were joint. We, for example, in Somerset County, we have the only -- we have a regional center. We have three towns that have a regional master plan. It is the only joint -- it is a three-town master plan -- in the State. And to get three towns to agree on a single master plan document, as you can imagine, was a significant undertaking, including during cross-acceptance at the County and the State level. We had significant help in that -- in more attention, in tracking that -- to help those municipalities merge together. And there was a process.

And one of the advantages to those towns that encouraged them to do that merger was the fact that they would be first in line on grant applications. And I have to commend DCA -- through the past Commissioners that has proven to be true. We have been more successful in acquiring grants because of that joint municipal relationship.

ASSEMBLYMAN RUDDER: Thank you, Commissioner.

COMMISSIONER GRIFA: Assemblyman, I would tell you that, for better or for worse, I'm going to articulate what I know you know to be true -- that we are, unfortunately, in the 10-plus years since Governor Whitman left office, a more regulated State rather than a less regulated State. But I would suggest to you that as part of Governor Christie's initiative to bring some commonsense principles back to government, I will give you and your colleagues -- and I will make this commitment in front of the representatives of the League of Municipalities who are here -- to the

extent that there is an impediment, a regulatory impediment, to finalizing such an agreement -- and particularly if it's a regulatory impediment that's outside my own Department, such as in the Department of Transportation or the DEP -- I will give you my personal commitment that I will navigate, up to and to the best that I can, past that problem.

I have had great success with the DEP, and I have a wonderful working relationship with Commissioner Martin, to address areas of concern. Annoying problems that are inextricably interwoven with what seem to be conflicting regulations, that simply will not get resolved or go away, I've had wonderful success with Commissioner Martin this last year.

And so to the extent that there's something else out there that's stopping us from moving forward, I will make my personal commitment that we will get past that. Those kinds of things should not stop this from happening.

ASSEMBLYMAN RUDDER: All right, thank you.

ASSEMBLYMAN McKEON: Commissioner?

Assemblywoman.

ASSEMBLYWOMAN LAMPITT: I just have a follow-up.

You know, when you start thinking about the shared services -- and I've done a lot of contractual work as well -- at one point in time you stop finding economies of scale. So we're going to stop finding economies of scale when we start the shared services and the momentum of shared services. Assemblywoman Coyle pointed out the significant savings, but at some point in time the economies of scale -- you're not going to save any more. And so this is where I believe Assemblyman Burzichelli was sort of focusing, and I pointed out as well: Shared services is one thing, civil

service reform is another; but large, whole scale change -- reformatting, reshaping the State of New Jersey, big and bold changes -- what do we need to be and what do we need to look like for whole scale change?

And so this is all-- We can keep on doing the carrot and stick, and we can keep on doing modeling and looking at what other states are doing, but we need to look at what New Jersey needs to be doing. And at some point in time, the economies of scale are not going to afford us any more savings.

ASSEMBLYMAN McKEON: Any other questions for the Commissioner? (no response)

Commissioner, again, you have all of our collective thanks for your professionalism in accepting this invitation and engaging in this productive discussion today. We'd like it to be a--

Somebody's kids are out in that hallway.

ASSEMBLYWOMAN COYLE: They're not mine. (laughter)

ASSEMBLYMAN McKEON: Mine are too old. If it was them, they'd just be yelling, "Money! Money!" (laughter)

ASSEMBLYMAN BURZICHELLI: That's the Budget Committee preparing. (laughter)

ASSEMBLYMAN McKEON: That's it -- it's Budget Committee. (laughter) I'm sorry -- teasing; punch-drunk here.

I appreciate it much. I would, again-- All of us have laid out different thoughts and circumstances. The only thing that, frankly, I've heard from the Administration on this point so far is: Opt out of civil service and that will take away the barrier. I have a different opinion based upon, I think, the track record and the facts of how there's a pretty big

component of non-civil service communities already, and not a ton of these agreements that are resulting in the kind of savings that this is, hopefully, going to lead to.

So I would ask you: There were several factors that I laid out that I think are of significance. If you could give us your guidance and thought as to what we might do to assist you in doing your job in making these matches, so to speak.

COMMISSIONER GRIFA: Thank you, Mr. Chairman. I look forward to continuing to working with this Committee on issues of significant importance as this one.

ASSEMBLYMAN McKEON: Thank you again.

As the Commissioner proceeds on, we have the next group of invited guests. And I'm going to ask that they come up together; and they've been waiting patiently. This is facilitated through the New Jersey League of Municipalities.

Greg Fehrenbach -- Greg, why don't you come up -- who is the Interlocal Services Coordinator. And then a good friend, it's my privilege to introduce -- Mayor Eldridge Hawkins of the City of Orange, who is in my District -- a good person and a great Mayor. And Mayor Samir -- and I'm going to mispronounce your name -- Elbassiouny.

MAYOR SAMIR ELBASSIOUNY: Elbassiouny (indicating pronunciation).

ASSEMBLYMAN McKEON: I was close. Thank you, Mayor Samir -- from Washington Township.

And then, is Tony Mercantante here from-- The Middle Tony -- Middletown (indiscernible). Tony, thank you for being here.

I have no batting order set up so, Greg, I don't know if you want to reintroduce everybody. I'll leave that to you, and then start off.

GREGORY C. FEHRENBACH: As I understand it, the first speaker here is going to be Mayor Hawkins from the City of Orange.

UNIDENTIFIED MEMBER OF AUDIENCE: (Indiscernible)

MR. FEHRENBACH: I guess I need to do that. This was organized by Lori Buckelew of the staff of the League of Municipalities. And on behalf of the speakers here, we would very much like to express our appreciation to you and the Committee for giving us time to be able to speak on these subjects. Thank you.

ASSEMBLYMAN McKEON: And thanks to you and the whole group of -- particularly Lori, who has been interfacing with us and our Committee staff over the last several weeks to try to put together a productive date.

Mayor Hawkins-- And, on a point of personal privilege, Mayor Hawkins' father served in this esteemed body some 30 years ago, before Mayor Hawkins was just about a dream.

MAYOR ELDRIDGE HAWKINS JR.: Yes, I was about to say I can't remember what I was doing back then. (laughter)

Thank you, Assemblyman McKeon.

As a member of the League of Municipalities Task Force, I want to thank you and the body for giving us the opportunity to speak today and discuss with you the urgent need for municipalities to have the tools to reduce spending in the aftermath of the 2 percent cap and the devastating cuts in aid that municipalities have experienced.

Sharing services between local municipalities is a necessary approach to stabilizing our taxes and maintaining a high level of municipal services our residents have come to expect. As a result of these cuts in State aid and a new law capping taxes at 2 percent, new ideas and reforms need to be discussed and evaluated.

In my hometown of Orange, for example, we have four bordering communities: West Orange, South Orange, East Orange, and Montclair, all of which have their own police departments, fire departments, public works, and a variety of other duplicative services. Now it's time for us to really kind of move forward and make a dent in actually making this a viable option as it relates to sharing services and mergers in each department, respectively.

The task of bringing together multiple mayors -- four sets of elected officials as it relates to Orange -- union bodies, bargaining units to create meaningful change and cost-saving measures can be very difficult and challenging -- but not all the time. There have been some successes prior to the (indiscernible) having been implemented. My good friend the former Mayor of West Orange and I have, over time, shared services as it relates to our health officer. I heard some dialogue in a previous presentation about how would one municipality just give up their health department and share that service? And in that partnership, each town maintains their own health department, but we share the health officer. So there can be a happy medium where it does not have to be all or nothing.

But we also evaluated the potential of sharing a service as it relates to the fire department; and we looked into that a great deal. And I think when we look at what we need from Trenton, we need legislation that

has some teeth that gives the municipality the ability to cut through some of the red tape and get things done.

And we also need money and funding. I think that we forget about that, and we just talk about what does the law say and what does civil service say. But many times this can be cost prohibitive. We've heard various testimony to the extent that we know that we have to reduce numbers to make this financially feasible as it relates to our employees. How do we do that? Is the legislation in place to enable us to merge civil service and non-civil service municipalities, or even municipalities of like structure?

But there's also going to have to be financial incentives: Where does this money come from to facilitate buy-outs, if need be, of our employees to reduce those numbers? Where does the money come from to re-letter fire engines or alter infrastructure, if need be? So there is a financial component to this, as well as the legislative piece, and I would hope that this Committee and the State would help bring some meaningful change as it relates to incentives; legislation that gives municipalities teeth to really move these shared services together and get over some of those impediments that one might find as it relates to unions -- respectively, which chief is going to prevail, be it a fire department or police department.

All these things are key issues, seniority issues that really have to be legislated and adopted so that the municipality has some clear guidance and vision of how to proceed. And also so that the employees understand where they stand related to these mergers and what their fate may be as it relates to seniority issues, longevity, and pensions and benefits as well.

Those are my opening comments. At this point, I'm going to give the floor to Mayor Elbassiouny from Washington Township.

MAYOR ELBASSIOUNY: Good morning.

ASSEMBLYMAN McKEON: Mayor, thank you for being here.

MAYOR ELBASSIOUNY: Thank you; thank you for having us here.

On behalf of the League and most of our mayor friends, basically I come from a different perspective on this whole thing, because we are a non-civil service municipality and we was the first in the State to share services with a police department that were civil service. And basically the way our approach was: We set up our shared service committee, and from day one-- Usually I think a lot of the reasons why at times it doesn't work is because the people on the outside start making excuses without actually knowing the facts. So what we did is, we actually involved the police department, chief of police in our town, and also the town and the Borough. And we also invited both -- the shared service representatives from both governing bodies. And we also invited the union reps from both sides. And basically we told them: This is our intent; we will go through with this. You can either be our partner or our opposition. The key was -- and I made it clear from day one -- this is not going to be a decision about 26 people, it's going to be a decision about 50,000 people; and that's where we're going to go from here. And we allowed them to go out on their own and basically come up with some ideas to see how this thing would work. And I really believe that's the reason why we had a successful outcome at the end, and we did the shared service.

ASSEMBLYMAN McKEON: Mayor, I don't want to stop you at all, but could you just give us a little bit of background of the size of the two communities and--

MAYOR ELBASSIOUNY: Okay. Washington Township is 18 square miles; Washington Borough is about 6 square miles. And it's about the same -- roughly about the same number of people in both municipalities.

ASSEMBLYMAN McKEON: Is it 10,000 each, or 7,500 each?

MAYOR ELBASSIOUNY: Seventy-five hundred each. And we had 13 police officers, they had 13 police officers at the time. And when we start talking about the shared services, we actually used the State to do the grant for us -- the feasibility study grant and implementation grant, which is currently -- the implementation grant I don't believe is available. And what we're trying to do is, I'm trying to talk to the State about making sure that they actually, somehow, figure a way to put it back. But as I heard in the previous testimony, the Commissioner said the problem was a lot of the municipalities were not really serious about doing it. They want to feel good about, at least, exploring it.

So my recommendation would be for us to allow each municipality to share in the cost with the State. So the State would be 50 percent towards the feasibility study; each municipality would chip in. If it's two municipalities, it would be 25 percent each. If the shared service becomes successful and they decided to go along with it, then the State would supplement them with the implementation study and also reimburse them for the shared service study. So that way, from the beginning, it gets us in the game. You're committed to doing this and you realize, "You know

what? You're going to give it a fair chance." Because as a municipality, we only operated with 15 percent of the budget -- of the tax collected. So we don't have the luxury of saying, "Oh, we can put \$20,000 towards the feasibility study," unless I'm 100 percent certain that it's going to be given a fair shot. So that would be one of the recommendations.

ASSEMBLYMAN McKEON: Mayor, I want you to keep going.

MAYOR ELBASSIOUNY: Sure.

ASSEMBLYMAN McKEON: Did you keep all 26 police officers?

MAYOR ELBASSIOUNY: No, we did not. We had one of their -- the police chief in the Borough was about to retire, so we kind of made him an offer to buy him out. And again, we used the money from the implementation grant to be able to do that. Without that I don't think we would have been able to do that. We also had a sergeant who was ready to retire, so we also bought him out a year early to make sure that we bring it down to a 24-man department. There was another officer who was two years out; we did not offer him that, but he retired anyway. And we hired two rookie officers right out of the Academy, because we felt we had enough leadership out there to be able to bring some people in and train them.

ASSEMBLYMAN McKEON: So if I'm counting right, you have 25? You went from--

MAYOR ELBASSIOUNY: Twenty-four.

ASSEMBLYMAN McKEON: So you're at 24.

MAYOR ELBASSIOUNY: Because we had three retirements: two buy-outs and one actual retirement. And again, the success kind of

made some noise locally, and I'm happy to report, too, that we took on another municipality and their police department -- so we took on Oxford Township. So just by us keeping an open mind and an open dialogue-- The way we did it with the Borough, though -- because I know the numbers always come to play -- the way we structured our shared service agreement was 50-50 split right down the middle. Any savings, any grants we get, they split it with us. So whatever the budget was last year, and let's say the budget would increase \$100,000 next year, their share would be \$50,000, our share would be \$50,000 -- so it's even across the board.

By being a non-civil municipality, I would not have voted on, I would not have agreed to do the shared service if we were to be under civil service -- if it would send our employees under civil service. So I just want to make that clear.

But their employees now are no longer civil service employees -- they're our employees. So they are no longer covered under civil service. So I know it's a unique way of doing it, and a lot of people under civil service do not want to give up that right because, let's be honest, it's great protection, above and beyond. But the way we brought it out to them was, we showed them our contract -- our PBA contract; the same protection that they have under civil service they have under our contract, our PBA contract. We are actually -- we're more-- They were financially better compensated under our system than they were under the civil service system. So I think that was the reason why, overall, it was successful.

ASSEMBLYMAN McKEON: At the end of the day, Mayor, notwithstanding -- your skills aside, which are obviously considerable --

going to Mayor Hawkins' point: If but for the money being there for the buy-outs, there wouldn't have been the savings to move this forward.

MAYOR ELBASSIOUNY: Well, the buy-outs-- They're a minor amount. When you are paying somebody \$40,000 for a buy-out, and then you hire-- That person was making \$110,000 a year, and it's a one-time lump payment. And then you replace that person as they retire with somebody who is making \$50,000 a year, that's an additional savings of \$50,000. And a lot of times when you do shared services, everybody seems to want to know: What are the immediate savings? And I think that's the problem. You have to look at it through attrition as well. If you delay it for five years -- if you made it five years ago through attrition, you'd be hiring people and then you would actually start saving money long-term.

So for us it worked. The Borough alone last year saved \$180,000 off their police budget, last year alone. For us, we saved \$110,000 last year, for that shared service, and we will continue year-in and year-out.

We also did the shared court. Now we're the only four-town shared municipal court in the State, and we did that last year. We had two; we added the Borough. So as we merged the police departments together, we started exploring what's the next step. And the next step, ideally, was the court system. So we all have the same judge and, again, it turns around: everybody's saving \$23,000 here, \$35,000 here. On our scale, it's a one point. So it makes a lot of sense for us to keep that dialogue open.

And again, to go towards shared services -- and I know we were talking about the health officers before -- we also have our own code and construction office; we established that four years ago. We reached out to

our neighboring municipality Mansfield Township and we developed a shared service code and construction office. Our office was open five days a week. We actually did one night a week of service.

And I'm not sure -- some of you are not aware: When you are with the State, DCA collects all the fees and they do their inspections, but the municipalities do not gain anything. So talk about a little creative: What we did is we decided to go-- The State allows you to keep 12.5 percent of the fees that are raised to be able to use for overhead costs, if you will. Not necessarily salaries or running the office, but overall you can play with that 12.5 percent to use it for other services. So what we did was, we went on to a local municipality and said, "Listen. We got 12.5 percent at our leisure that we could use to pay for various things through the town. How about we split that with you, if you would allow us to do the code and construction office with you?" They're not getting anything now; now they get 6.25 percent, which is better than nothing. So \$100,000, with the fees, to get \$6,250. So again, you talk about a little creative and what's the incentive, and this has no impact on the State. We actually eliminated the role of the State. And to be able to provide the service, we also increased the amount of money that the municipality can raise because we have no way to raise auxiliary funds. So that was another creative way for us to be able to get other municipalities and our shared services as well.

ASSEMBLYMAN McKEON: Mayor, I appreciate the successes, and particularly that was interesting to learn of that nuance. And again, kudos to you. I guess my question before went to: How was it that you were able to succeed? So you don't think it was the resources, the actual dollar resources, of the State beyond your political will and

creativity that made that happen? We're here to try to explore ways as to how we can help other towns get to that point.

MAYOR ELBASSIOUNY: Like I said before: We definitely need the money from the State to be able to make it happen, in the way of being able to buy the guys out. Some guys had some sick time that we were allowed to buy out through the grant, through the implementation grant. So the State helped us make the numbers work at the end. Only for today, by moving forward, we made our numbers work after that. You only need help in the beginning to get it started, and once it's started -- here's the brick and mortar, you guys have to build this. And that's what we did after that.

MAYOR HAWKINS: Mr. Chairman, if I could jump in there.

ASSEMBLYMAN McKEON: Please.

MAYOR HAWKINS: The Mayor is absolutely correct, especially before when he made note that there is, in fact, a savings that can be realized by reducing your staff because, obviously, that's the goal. But the trade-off is taking a hit upfront, if you will, for potential savings down the road. And while you may experience a savings where you're releasing that \$100,000 employee, they also go out the door with large amounts of sick time, vacation time, accrued time, overtime over the course of, in some cases, 20- or 30-year careers. That is a large cost that the cities have to bear, which speaks to the need for State funding to assist us in being able to do this. Because if we do not have the funds and the resources to actually make that merger work on the onset, then we can't move forward at all.

And then, also, there was some dialogue as it relates to what is the magic number for a population to merge successfully. I don't think one

exists, and the reason is because every city is not the same and these decisions aren't predicated solely on the number of residents in your community. What does the infrastructure consist of? What is the mix of your community: Is it predominantly commercial, residential? What's there? Where are the locations of your firehouses? These are all, as it relates to one town or the other-- Can one house be closed if you have a merger? So it's a lot bigger than just the magic number of the population that people are looking for.

At this point I want to give -- the Director of Public Safety, Administrator Anthony Mercantante, from the Township of Middletown.

A N T H O N Y P. M E R C A N T A N T E: Thank you, it's a pleasure to be here.

I thought, as I was hearing the comments -- I think one thing that's been missing from the discussion is that the times have changed significantly. And that being the cap-- I mean, my municipality -- Middletown Township is in Monmouth County -- we've been doing shared services for many years. And in the past, shared services tended to be worked out, largely, for convenience. Economics was a part of it, but convenience was a part of it as well. And they tend to come and go. I've had shared services for the construction code department that lasted four or five years, and then one party decided it wasn't working out for them so they got off the agreement; and animal control; and various other programs -- planning and zoning administration. So they worked out because someone left; someone had a need at the time. And they talked to their adjoining municipality or nearby municipality and said, "Hey, can we work

something out to share this service?” And they said, “Fine,” and they worked out a quick agreement, and it was done.

What’s different now, though, is obviously the cap. It changes the game significantly. I’m glad to hear people use the term carrots and sticks because I don’t think there’s a week that goes by that I don’t use that term, because that’s how we have to get things accomplished, unfortunately I think, nowadays. But we talked about the idea of what happens if something doesn’t work out, and someone wants to go back. Well, I’m not so sure, nowadays, that if municipalities entered into a significant shared service arrangement with significant dollars involved, that you really could go back. For example: I’m negotiating right now an arrangement with a nearby municipality for police services. And in this case, the idea would be one community would close their police services and contract it with my municipality. Well, if in three years or four years that community decided, “Well, you know we’d really like to have our own police department back again; we don’t like this arrangement,” how could they really go back? I think you talked about that. I mean, how could you really build that back into your budget with a 2 percent cap? You probably can’t.

So significant shared service arrangements are going to be very, very hard to undo, financially. I think we have to resign ourselves to that fact. And that being the case, one of the significant impediments in my mind is that if-- We all know that the dollars are in law enforcement and public safety. And if communities are going to be expected to share those services, the process has to be relatively simple; it has to be one that will save money for the taxpayers, because if you’re not saving taxpayer dollars, you’re going to get criticism without the benefit. And so it really can’t

work. So it's critical that we can't have rules in place that, for example, require all the police officers from one community have to be brought into the adjoining municipality or the provider. We can't have rules that say the police chief is guaranteed to be moved into the providing municipality and given a position no more than one step, or one rank, below their current position. Those types of impediments, I think, make it extremely difficult to realistically put together those sorts of arrangements in a way that will save money for municipalities.

I wanted to touch on one of the issues you mentioned earlier about civil service. I agree that sharing services between a civil service and a non-civil service municipality is difficult. It's not impossible. The issues can be worked through. The issues have more to do with the rules themselves and the regulations themselves, and I'll give you an example.

We're currently working on a plan to develop a paid EMS service, and it would probably be shared by three or four nearby municipalities. Civil service and non-civil service is only part of the issue. The fact is that my municipality is civil service and we would probably be providing the service. The process now in hiring for civil service, you've probably heard ad nauseam, is a complex one -- one that is a very slow and cumbersome process. For example, if my service is going to have four or five EMS EMTs working there, and after a period of time one leaves, I have to replace that person. Well, to replace a person under civil service rules is very difficult; it takes a long, long time. You end up having to hire somebody provisionally -- and for those of you who don't know, provisionally means they are hired for some period of time until they're made permanent by civil service. I've had that process take two to three

years. And my option is to not fill the position and leave it vacant. Well, I can't have a vacant EMT position where people expect someone to show up when they call 9-1-1. You can't have that position vacant for any significant period of time. If you do, you're incurring significant overtime costs, which will defeat the purpose of the money you're trying to save by the service. And if you don't, you're hiring somebody and telling them, "Please take this job, and you might lose it in a year or two or three." I can tell you that happens. I just received a civil service promotional appointment list for a position in my municipality in which the person who has been working in the job for nearly three years now, and who is an excellent employee, came out ninth. So this person may lose her job because somebody in Trenton decided somebody else was -- eight other people were more qualified.

So the cumbersomeness of the regulations are a major issue; whether you're sharing with or without a civil service community, the rules themselves make it very, very difficult to do.

I wanted to address just one other issue, and that is the issue of getting paid. As I said, I've had a number of interlocal agreements -- shared service agreements -- and I haven't had that particular problem. I will say, though, that it's important that when you develop these agreements you have a good exit strategy. A lot of times the agreements are all about how do we share this service, and there's nothing in the agreement about how do you end the service. If that's not there, that's a significant issue. And I would also suggest that now we're going to have to see municipalities including in their budgets a line item that says "shared service payments," and that's where you'd make sure that there were funds available to pay the

providing municipality. There would have to be a requirement, and the local finance board maybe would want to ensure that municipalities who were engaged in shared services had some provision in their budget, before it was approved, to make those payments.

Thank you.

MAYOR HAWKINS: Thank you, Anthony; very good points.

A couple of notes: Again, how do we get out of these agreements if they do not work is key, as well as the fact that we all know that we're here because we're looking for legislation that can help empower municipalities to do these things. But we also don't want to over-legislate. We don't want to tie municipalities' hands. We need flexibility, not just because we want the ability to do it well, but legitimately every municipality is different, and rules may restrict and cause problems in different communities. So I'd just like the Committee to bear that in mind.

So now to kind of bring all this together, maybe from more of a technical standpoint, I have Gregory Fehrenbach, who is our Coordinator of Interlocal Municipal Cooperation and Management Advisory Service.

So I turn the floor over to you.

MR. FEHRENBACH: Mr. Chairman, members of the Committee.

The League has submitted to you a series of pages identifying sections of the statute that are problematic, and try to identify, basically, in the Uniform Shared Services Act those provisions that we think need attention and need to be changed in the event it is your interest to attempt to facilitate shared services. What I will do is try to review those

briefly with you and indicate for the record what we believe you need to address in the event it is your interest to improve the environment.

ASSEMBLYMAN McKEON: Greg, thank you. I want to just make sure that everybody has a copy of what you're referencing, because that would make us more efficient as we listen to you.

Are we good? That's the little CD that everybody has?

MR. FEHRENBACH: That looks like it -- yes.

ASSEMBLYMAN McKEON: I purposely held off your CD just because--

MR. FEHRENBACH: It should say on the top of it "Sharing of Services Between Non-Civil Service Municipalities and Civil Service Municipalities." And then it says "League of Municipalities Issues."

ASSEMBLYMAN McKEON: I'm sorry, I was--

MAYOR HAWKINS: Mr. Chairman, I have an extra copy if you need one.

ASSEMBLYMAN McKEON: I do. I want to make sure that everybody else does. Just give us a second.

You didn't think anybody listens up here, huh? (laughter)

MR. FEHRENBACH: Well, I thought all--

ASSEMBLYMAN McKEON: No comment.

Mayor, as we're grabbing our stuff -- Mayor Hawkins, to be formal -- when you were saying how one size doesn't fit all, I bet-- Aren't the two municipalities you were mentioning -- are what, collectively, about 15,000?

MAYOR HAWKINS: Correct.

ASSEMBLYMAN McKEON: And what--

MAYOR HAWKINS: Orange has a population of 33,000.

ASSEMBLYMAN McKEON: Well, it's 32,000, but I'm saying you're one square mile.

MAYOR HAWKINS: Yes -- or 2.2. Don't cheat me -- 2.2.
(laughter)

MAYOR ELBASSIOUNY: We're collectively about 22 miles.

ASSEMBLYMAN McKEON: It's a big difference.

MAYOR ELBASSIOUNY: Square miles.

ASSEMBLYMAN McKEON: Especially when you're talking about something like fire services.

MAYOR ELBASSIOUNY: Yes.

Just real quick, since we're waiting. Regarding shared services with municipalities: We heard earlier about, "Let's just make some bold moves and just have everybody merge municipalities." For example: We're also a doughnut hole town, so when you talk about all the scenarios, we kind of seem to fit in all of them. And I think our biggest issue-- And we actually received a letter -- which is unusual -- from the governing body of the other municipality asking us if we would explore completely taking them over -- which is very highly unlikely to happen. But because our shared services are successful, they say, "Well, let's take it to the next step." The only reason why we would not even explore it at this time and the response was, "Let's see the shared services and the success of them, then we can move over and go onto the next step--" It's a dead issue. How is the State going to be able to address the dead issue between our municipality and a municipality that would like us to take over their

services? There is no way I'm going to have that burden of that debt on my taxpayers in my municipality. It does not make any sense for us.

So where is the common ground? Our schools, for example, we have no debt on our schools. They're paid off. We don't have the classiest bells and whistles schools, but they work for us. So we try to keep everything-- With them, they have to put another \$3 million, \$4 million into the schools. If we did that shared service, our taxpayers are also going to be on the hook for that \$4 million, \$5 million. So that's where I think that's going to be a big, big challenge for you guys to be able to come up with something that would satisfy us to be able to say, "That makes sense."

ASSEMBLYMAN McKEON: Thank you, Mayor. I would think as long as they keep you as mayor it will all be good. (laughter)

MAYOR ELBASSIOUNY: We have a great group.

MR. FEHRENBACH: Are we ready?

ASSEMBLYMAN McKEON: We're ready here.

MR. FEHRENBACH: Let me start out: Another member of this committee was going to have been Wilda Diaz, the Mayor of Perth Amboy. She could not be here today; she did indicate to me that she wanted to make it clear that her feeling in her current condition is that the restrictions, the limitations, the controls that exist under civil service make it incredibly difficult to manage a municipality as it is, as it was just mentioned by the administrator from Middletown Township. And her position is it that modest changes to the civil service law are not what are necessary; that an ability to be able to get from under the civil service law is a more appropriate way to move.

In the material that the League provided you, it indicates that one of the first things in the Uniform Shared Services Act has to do with the requirements for the development of an employment reconciliation plan. The employment reconciliation plan, which is, in effect, something similar to a layoff plan, has a whole series of elements. It has to do with how those employees are going to be dealt with, where they're going to end up, what will happen in terms of the providing local unit, what will happen in terms of those being retained by the current employer. Employees who are being terminated have to be provided a silver parachute -- not quite golden -- but for every five years of service there has to be an additional months' payment to them.

You heard the Mayor speak earlier about the need of buying out, or paying something to employees to get those employees to do things. All of those actions generate additional costs for municipalities. And if you look at some of the successful mergers of police operations, you will find out that, in almost every case, there was extra money that had to be paid to police people in order to be able to make sure that they could make the agreement work.

If the person ends up being taken on by the new municipalities as the law requires, and then has to be laid off by the new municipality, that layoff results in the creation of something called the *special reemployment list*. That special reemployment list takes those people, puts them on a list where the next time that position is going to be covered, either by that municipality, by any other civil service municipality in that county, or by the county itself, that person is required to be hired by that jurisdiction.

Effectively, the employee has been granted a property right -- a property right that is expensive.

Two of the things you'll hear me talking about are going to be the issue of time and money. Shared services take place when there is an opportunity to be able to save money and it doesn't take any exceedingly long period to enter into the agreement. Every time there's a hurdle in a shared services negotiation, it increases the probability that that agreement will not take place. They need to happen when -- essentially striking when the iron's hot -- when people are interested, when the matter is high on their agenda; that is when it needs to be dealt with.

Those conditions exist in NJSA 48:65-11, and that is one of the sections you need to deal with. The additional money that has to be paid out to negotiate with these employees sometimes prohibits people to proceed. Sometimes the additional time that it takes to be able to satisfy the requirements of civil service, as appear in 11(a)4 and 5, will inhibit elected officials from proceeding to enter into shared services.

There are tenure protections in this portion of the law. I participated with staff people, both in the Division of Local Government Services and in the Legislature, when the Uniform Shared Services Law was being drafted. We identified the provisions in 65-8, which deal with police; and 65-11, which deal with all other employees, as being significant impediments to the ability to enter into shared services. Those concerns were essentially ignored, because what was more important at the time -- at the end of 2006 and early 2007 -- was that there was a need to maintain protections for employees.

If 70 percent of municipal costs are personnel and personnel-related expenses -- and some of you have heard me say this on several occasions -- and if the objective of the legislature and the Governor is to control the cost of local government services, the only way that is going to happen is as the result of reduced personnel or personnel-related expenses. And generally, the only way that that is going to happen is either one of two courses of action: Either the cost per employee has to drop or the number of employees has to drop. It's not all that complicated. The protections that exist in this statute cost municipalities money; and once it starts costing money, it works against the inherent incentives in shared services to have shared services take place.

You heard Assemblywoman Coyle talk about the success in Somerset County, and that a lot of that success occurred because there was no civil service. Prior to the law going into effect, there used to be a provision that stated that in the event a service of a municipality was subject to civil service, even if a non-civil service municipality provided that service, the service would have to come under the jurisdiction of civil service. That, thankfully, was repealed, but there are still all of these other protections that exist. And frankly, it seems to me that between the Legislature and the Governor's Office, there has to be determination as to whether or not you're going to be fish or you're going to be fowl; whether or not you truly want to reduce the cost of local government services, or you want to try to be able to at least give the appearance that it's happening, but then when it comes to the field and it has to be implemented, it can't be.

The provisions in section 65-8 of the statute deal with protections for police. And they're laid out there; they have to do with the issues of seniority and tenure. They also deal with the question of: if you happen to have two chiefs, one of those chiefs has to be designated as being essentially the next in command in the new operation. And it limits the ability to be able to save as one might be able to.

In the area of health services, there are two provisions that exist in the statute under 26:3A-16 and 3A-17. Those provisions basically say -- and they're slightly different if you're civil service, if you're not civil service -- is that if you're going to eliminate a health department, and if you're going to buy your services from another health department, you have to guarantee the job and the money for everyone in the health department that's being eliminated. There are no current savings. The salary's protected, the job functions are protected. If you want to see any more consolidation of health services, especially from the local level to the county level, which has been happening at a snail's speed over the last 35 years, you need to address that and remove that provision. There are circumstances in this State where a county actually bit the bullet and decided to do it. And they had a staff person who became a chief sanitarian who was making \$15,000 to \$20,000 more than the health officer was making, because that's what the municipality had previously been paying the person.

ASSEMBLYMAN McKEON: Greg, I don't want to stop you at all -- I want you to continue. I'm going to step out for, literally, 60 seconds. I want to let you know that there's a template of a bill that is called in, but obviously not in shape to drop yet. But I'll look forward, as one of the

sponsors of that bill, to work with you along with nonpartisan staff to try to implement some of the suggestions that are put forth--

MR. FEHRENBACH: We would very much appreciate that.

ASSEMBLYMAN McKEON: --in this memorandum.

But please continue. John is going to do me a favor and take it for a minute.

MR. FEHRENBACH: The final points that I would make would be these: That it is really important -- and I'm really speaking to the correct person on this, as being a Mayor -- it is really important to remove the artificial limitations that exist on elected officials from being able to manage the local governments for which they're responsible. It was stated earlier by somebody at the dais that New Jersey is one of the most regulated States for municipalities that exist in the nation. It is suggested that only Massachusetts surpasses New Jersey. It is extremely important that there be faith by the Legislature in local officials -- most of which they used to be -- and their ability to manage local affairs; and to remove the restrictions and permit them the opportunity to be able to manage those jurisdictions as the mayors and the councils and the committees feel it is necessary to do.

They need to be provided flexibility to be able to make decisions and implement them, and that is done by removing civil service impediments; by removing collective bargaining impediments such as binding interest arbitration; and removing artificial controls and mandates that increase the cost of providing basic services, such as prevailing -- or what we in the business call *union* -- wage regulations. And we hope that the Legislature will actively look at returning the responsibility to manage local governments to locally elected officials.

Thank you very much.

ASSEMBLYMAN BURZICHELLI: Thank you.

I'd like to raise just one question to help the discussion along, and see if any of the other Committee members would like to jump in.

Mayor, I was very interested as you talked about your merging police department with the civil service environment to a non-civil service environment. How much was the State grant; how much money flowed to you to help you pull that off?

MAYOR ELBASSIOUNY: It wasn't a lot -- it was only \$146,000. It was basically enough for us to make sure that all the weapons were the same for the new officers, and basically buy out those two individuals -- and we did. We don't pay longevity; we took it out of our contract. And the mindset for me when we negotiated was, "If you don't want to be here, we don't want you to be here. We will compensate you accordingly." And we had no problems with that. So longevity has been taken out -- all our employees, including the new officers we had, except two employees who are grandfathered in. So we didn't require a lot of money, and that's what I'm saying. It sounds like the State is going to spend a lot of money, but in retrospect: No, you will not.

ASSEMBLYMAN BURZICHELLI: Now in retrospect, as you're in this relationship: Has there been a significant stabilization of property taxes, a reduction of property taxes, or did it get lost in the shuffle of other issues of economy, whether energy costs or other things that came your way?

MAYOR ELBASSIOUNY: It actually has not been-- Financially we had some savings, obviously, and we used some of those

savings to actually pay down our debt at this current time. But I think, overall, we would save somewhere around half a million dollars over the next four years -- just our municipalities alone.

ASSEMBLYMAN BURZICHELLI: Over the next four years. So that's \$125,000 per year.

MAYOR ELBASSIOUNY: Correct, that's correct.

ASSEMBLYMAN BURZICHELLI: And that effect on your tax rate, on the average taxes, is how much?

MAYOR ELBASSIOUNY: It's about 2 cents on the dollar, at \$100 assessed.

ASSEMBLYMAN BURZICHELLI: Very good.

Let me ask my other colleagues-- Assemblyman.

ASSEMBLYMAN MAINOR: Thank you, Chair.

Let me first thank you gentlemen for coming in and shedding some light on this and showing the importance of shared services. But what I wanted to do -- and I'll be real brief -- Jersey City and Bayonne are the districts that I run -- I'm sorry -- that I'm the Assemblyman for, and shared services in Hudson County was done a few years ago with their fire department. Now, Jersey City did not join in because it would have cost us more to be a part of the Hudson County Regional Fire Department than it was by just maintaining the Jersey City Fire Department; the reason being because Jersey City, being so large, the services that are required, all the other smaller towns -- Hoboken, and Union City, and North Bergen -- would have lost out. So when you said that the size of the city doesn't matter, I'm a little confused, thinking that maybe it does because I can't see

Newark teaming up with another smaller town and that town receiving the same amount of services that it was receiving.

Also, the amount of jobs that would have been lost. If the Jersey City Police Department teamed up with Newark Police Department-- Jersey City has 900 police officers. I'm sorry, not Newark; I'm sorry, Hoboken. Hoboken, if I'm not mistaken, has 300. There would definitely be a loss of jobs. I understand you said they will go on the reemployment list, but Jersey City next month will be laying off 82 people. So that list just gets even longer if something like this was to come about.

I can see smaller towns coming together. I just can't see the larger towns coming together with other towns and sharing services. And what mainly concerns me is the loss of jobs that may come with this here.

MAYOR HAWKINS: Assemblyman, if I may.

ASSEMBLYMAN MAINOR: Sure.

MAYOR HAWKINS: Just to properly characterize the comment I made early. It was not to suggest that the size of the towns were irrelevant; only that they are not the sole determining factor, and there are mitigating factors that may contribute to whether or not it is feasible for one town to share a service with another. That was the intent, or the nature, of that comment.

ASSEMBLYMAN MAINOR: Okay, so would you be able to look at, see how a Jersey City and a Hoboken-- I mean, I'm quite sure there's some formula that you've put together that this can work out with large towns.

MR. MERCANTANTE: I think that -- what the comments made earlier -- that you need to put some faith into people who are the

leaders in those communities, whether they be administrators, managers, mayors, to look at what works best for them. Because there are so many different scenarios that it would be really hard to develop a model, if you will, that would let you predict how successful something will be.

I had the situation this year of my health officer retiring, and I had to have a full service health department. I had three choices; my three choices were: Join the county, join a local regional health consortium, or rehire the health officer and keep my department running. And in my case, joining the county -- as you pointed out with the Jersey City and Hudson County scenario -- joining the county would have actually cost more because they charge you through your county tax rate. It would actually cost more per year than running my own department. But joining the regional actually saved money, so that is ultimately what I did. But I actually would have thought going into it before I really ran the numbers that joining the county was probably the way to go. It was not.

So you really have to look at each individual situation because they can be very complex. And I'll tell you, I'm actually involved-- My municipality is large: We have 42 square miles; we have 70,000 people. And we're about to enter into a shared service agreement with one of our neighboring municipalities that's barely a square mile. But they're the provider -- we're not. So it doesn't always have to work out that the big guy takes on the services of a smaller municipality. There are very, very unique situations; and this particular case is a very unique service that they can provide better than I can. So we're going to do that. And there are people in town who are scratching their heads saying, "What are we doing this for? This doesn't make sense." Well, it does make sense, and it makes sense for

our communities, but it's sort of the antithesis of what people think the way these arrangements should work.

But when it comes to job loss-- That's the elephant in the room with these discussions. I have 102 police officers in 42 square miles. I have three communities adjoining me that combine for about three-and-a-half to four square miles. And that's 40 to 50 police officers in those three municipalities. Just think about the economy of scale. Would I need 40 to 50 police officers to absorb? No, not anywhere close. So yes, could it be a potential significant savings? Yes, it could. Would people lose jobs? Yes, they would. That's the issue. We have to face up to that.

ASSEMBLYMAN MAINOR: So in the beginning it could be a major hit -- financially and--

MR. MERCANTANTE: I would agree that there are some cases where if you could enter into a shared services arrangement where there was no job loss initially, but you could pretty well predict that in years two and three and four you'd see some attrition, you'd see some retirements -- that might make some sense. Because I think it's better to get into the agreement than to just not do it. But unless you can really predict that, unless you could be really confident that you're going to make some savings in a couple of years, there's no incentive to do it unless there's financial savings. And really the only way to do that is reduction of staff.

ASSEMBLYMAN MAINOR: Now, Jersey City is civil service, and a lot of the towns up in that area are. And it would be kind of hard to do the shared services with the police department, the fire department then, because then what happens? Your health person, is he civil service?

MR. MERCANTANTE: But he retired.

ASSEMBLYMAN MAINOR: He retired?

MR. MERCANTANTE: Yes.

ASSEMBLYMAN MAINOR: So the person-- Was he civil service?

MR. MERCANTANTE: Yes.

ASSEMBLYMAN MAINOR: He was.

MR. MERCANTANTE: Yes, I mean-- The fact is that one of the other issues with civil service, by the way -- just to get back to that -- is I had the unique circumstance this past year where I had an issue. We had to do some layoffs last year, unfortunately. We had an employee who was in -- a provisional civil service employee for, like I said, two and a half years before civil service produced a list. I ultimately decided to lay that position off because the person in the job was going to lose their job; I was going to have to hire somebody else off of the list. And so I decided to eliminate the position -- I did. After I eliminated the position, a couple months later, I got a bill from civil service for \$1,000. They want me to reimburse them for their time spent putting the list together. So they get you one way or another. Needless to say, I haven't paid it yet. There'll be some serious discussion before I do. But that's the risk.

MAYOR HAWKINS: Also, if I may: As it relates to job loss, it is possible-- While we understand we have to reduce our numbers overall, employees are not the only cost associated with operating municipal government. You talk about a fire department, these fire trucks, these fire engine ladders -- these things cost money. And a municipality may be in a position where they have to choose, in essence, from some equipment needs or manpower needs. So if you're able to come together and partner with a

town that may be equipment-rich and manpower-poor, that merger may actually save a couple of jobs. So that is not impossible.

And I think it's also important to note that time is money, and these timeframes that we have in place -- that relate to layoffs and times to review things -- I think are also causing some problems. The simple fact that the State has 30 days to approve a layoff plan, and then once you serve the employee they have 45 days of which to sit there, disgruntled -- I mean, how do you tell somebody, "You're no longer going to work here," and then expect them to go produce? And not to mention the fact that each day that continues, we have to cut deeper and deeper into our existing employee base to make up the ground that was lost as it relates to turnover.

This isn't a silver bullet; this one piece isn't going to fix everything. I think it's the combination of different elements of the tool kit really coming together. Civil service reform -- allowing management the ability to choose to lay off a non-performing employee who may be senior, earning \$100,000, to save three or four of the more productive junior men who put boots on the ground. So I think it's the whole package working together that makes a difference, and I hope the Committee would consider that.

ASSEMBLYMAN MAINOR: I agree with you.

ASSEMBLYMAN McKEON: Mayor, I appreciate it. I want us-- I'm sorry, I just want us to, as it relates to civil service-- It's fine to hear elements of that to what we're discussing, but I want to keep us focused on the issue at hand. Please, I'm sorry, I didn't mean--

ASSEMBLYMAN MAINOR: I'll just end it right here. I agree with what you're saying 100 percent, and I am working with the mayors of

Jersey City and Bayonne to try to do some shared services at the point of when they purchase the gas that they need, the salt that they need, the vehicles, the fire trucks, and just buying in quantity to save money that way. But I do understand what you're saying.

Thank you, Chair.

ASSEMBLYMAN McKEON: Assemblywoman Lampitt.

ASSEMBLYWOMAN LAMPITT: Just a quick question: You know, we're merging issues; and as you just so correctly put, that it's a combination of issues that come together here.

But one of my quick questions is: There are 197 towns that have civil services, right? So within the League of Municipalities, do you have 197 signatures of all mayors who are onboard with all of these exact same issues? I mean, because what I have found is is that we appeal to the League and the League is working with the mayors and everything else, and at the end of the day we don't get 100 percent support from all of the mayors and all of the municipalities that is necessary to move pieces of legislation forward.

My other comment is is that, again, how you eloquently put it is that we just don't have two towns that are the same. So if we're going to do things statutorily, as you all know there's a little bit more vanilla to some of the legislation that we have to write. And the more specific that we get -- we're drilling down to the specific municipalities. And then it becomes a challenge because, when we write the legislation that becomes specific to a municipality, it only really allows one or two municipalities to actually use a piece of legislation that we're crafting. So either we go vanilla or we go very, very specific. And if we go vanilla, then it becomes an interpretation

sort of issue. We're interpreting; everybody's interpreting these sort of issues, okay? But if these are your specifics, are 197 mayors signed on completely?

MR. FEHRENBACH: The League never has every member of the association signing on to everything, otherwise we'd never be able to respond to the questions the Legislature raises. I can tell you that in the experience I've had in this business for 40 years, dealing with mayors and administrators, that I have not run across one mayor, or one administrator, or manager who has been under civil service, and has had to go through their machinations, who has walked away from it happy and wanting to remain with civil service. The example that you heard earlier, of having a person in the position for almost three years, working out well, and having to get rid of that employee, is not a singular time that it's ever happened -- it's happened to me on several occasions. If you have ever gone through the development of a layoff list, and had to go through the approval of that by civil service-- And I've done that four times; and in those four times that I've gone through it, at least on one occasion -- I'm sorry, on two occasions some of the data was wrong because there was information that was in conflict between the municipality and civil service. In one case, the municipality has been told they have to pay approximately \$5,000 to an employee who apparently was laid off improperly even though civil service gave the approval for the layoff.

The time that you have to spend on doing layoff plans can run upwards of five months. Five months means that when you're trying to save money in a budget, as a municipality I worked with two years ago -- the situation they were in-- all they could count as was 50 cents on the

dollar and had to, basically, lay off twice as many people as they had planned to because of how long it took to be able to process the matter through civil service. I have not witnessed one elected official or witnessed one professional manager or administrator who has indicated that they wanted to get into a municipality that had civil service -- I have only heard the opposite.

MAYOR ELBASSIOUNY: Assemblywoman, if I may as well: I believe when you talk about getting 100 percent -- obviously, it's very hard to get anybody to agree. And I think that the intent here is to allow municipalities to opt out. So you can write it vanilla, you write it a little darker -- it doesn't really matter. If that municipality chooses to-- So if you have 80 percent of the municipalities agreeing to it now, give them that option. That's all municipalities are asking for. We want a shot to be able to go out to our citizens and let them make that decision because, ultimately, it has to go on a referendum for the people to vote it out.

MAYOR HAWKINS: I think that, at the end of the day, we're talking about empowering local government to make the difficult choices. So I don't know any mayor, I haven't come across one yet, who wouldn't want more flexibility and ability to make the decisions that he or she knows and believes they should make at a local level. So I think, really, at the end of the day, we're just asking for some flexibility and empowerment so that the local mayors, with their team of administrators, can do what they think is in the best interest of their community.

ASSEMBLYMAN McKEON: Any other questions? Seeing none--

ASSEMBLYWOMAN COYLE: Just one comment.

I am curious. I could not agree with you more that by having the flexibility to opt out of civil service, it gives you greater ability to manage your community. So I think all of us have been-- I've been a local mayor; I think we all -- we greatly appreciate that.

So I think, also, that was a system-- The voters, your constituents should be allowed to do this. They should be allowed to decide whether they want this or not. So my question to the four of you, just quickly, is: Would you be encouraging your -- as members of a governing bodies or administrators, to move forward with opting out of civil service? Would you move-- Go ahead; thank you.

MAYOR HAWKINS: It's an interesting thing, because I'm uniquely positioned because I'm also a law enforcement officer. So I guess you could say I benefitted from civil service, and I believe that it most certainly has a place -- to give protections to employees and also create a level playing ground for employees to gain employment in different communities. However, in many towns such as Orange, for example, we are at the point of really (*sic*) being able to survive, which trumps any other considerations in my view.

The Governor, by virtue of what he's done to UEZ -- that's cost \$1 million of lost revenue for the City of Orange. He's taken different forms of State funding, which is another \$2 million. That's a 10 percent increase right there. Our UEZ was funding approximately 11 police officers. So now those officers are getting laid off. So when you're at the point where you're really trying to stop the degradation of your community and keep your business districts vibrant, viable, safe, clean, it really comes down to survival.

So if we have a choice between some of these civil service protections and being able to survive and actually keep boots on the ground, then I choose keeping boots on the ground and delivering service. Because we cannot allow the cities to unwind themselves because we're not in the financial position or legal position to make the tough decisions to retain the employees that we think are best.

So I think it's admirable that the Legislature has crafted civil service to protect those employees. But at this point in my city, I think it's challenging to deal with Trenton in essence telling us who we have to keep and who we have to release, because that makes no room for special considerations of skill sets that special officers or personnel may have. Simply because they're junior, they have to be laid off regardless of how much they cost the city or what their skills are. And I think that that definitely needs to be modified and adjusted.

MR. MERCANTANTE: If I could address that issue.

That's a critical point, because -- and I think the comment Mayor Elbassiouny made earlier was really key. His merger worked because the civil service employees saw the contract available in the non-civil service municipality and thought it was as beneficial to them or better. And one of the things that's odd about civil service municipalities is that they typically have civil service as sort of an overarching set of rules and regulations, plus they have employee contracts. So you have to deal with both. And that can be very difficult, because sometimes they work against one another. I would encourage my municipality if it could opt out of civil service to opt out; but I would say, and I've said this all along in other hearings that I'm not in favor of a free-for-all. I'm not in favor of opting out and having

nothing in its place. I think that the right way to go here would be to have municipalities required, if they're going to be outside of civil service, to have something in its place -- a set of rules and regulations, employment practices, hiring practices -- so that you can't have a situation that would foster unfair treatment of employees.

And I'll give you an example: Most municipalities belong to joint insurance funds. You're familiar with those, right? Most joint insurance funds require member municipalities to have employment guidelines for insurance purposes -- absolutely. So really, an enhancement of that, that would be developed locally, maybe with some guidelines, would, to me, make a lot of sense. It could be administered locally, rather than have to worry about the State administering-- It would ensure fair treatment of employees, and it seems a much better system, in my viewpoint.

ASSEMBLYWOMAN COYLE: And you would look at the things like the Hay system, and other monetary award systems -- okay.

MAYOR ELBASSIOUNY: And if I may add to that: With Civil Service, it's a division of the State. Why are we paying another division, why are we adding another layer, and the State's responsible for it?

ASSEMBLYWOMAN COYLE: Or even being fined and actually being sent bills for \$1,000.

MAYOR ELBASSIOUNY: It's a State agency. Do we need that State agency? Do we need to fund that State agency? I don't know how much it costs the State; maybe that would be a question that you guys can look into. And you already have the labor laws that protect the employees anyway. Back then, civil service-- It was intended for the right

reasons, for the right time. I just don't see any reason for it today, and especially if we're subsidizing it.

ASSEMBLYWOMAN COYLE: Yes, I agree with you. Seventy years ago it probably did make sense.

MR. MERCANTANTE: Especially on the other--

ASSEMBLYMAN McKEON: All right, let's-- I appreciate everybody's time. We're now going to get into a philosophical discussion at this Committee.

ASSEMBLYWOMAN COYLE: I just wanted their opinion.

ASSEMBLYMAN McKEON: It's not their particular charge.

There's no more nookie -- whatever. We don't have to protect from him anymore, is that it?

Thanks, the four of you, sincerely for all of your time and professionalism. We learned much, and we'll continue our endeavor to do the best that we can to deal with the public-public partnerships to enable you to expand upon those. I appreciate all of your time.

ALL: Thank you, Mr. Chair.

ASSEMBLYMAN McKEON: We have one last panel on this particular point, and then several people who are going to -- just two people who are going to testify on the reserve for uncollected taxes pieces.

So on this first component, from the New Jersey Association of Counties, John Donnadio is here, Deputy Executive Director; Linda Murphy from Morris County Shared Services; and Mayor Passanante of Camden.

MAYOR GARY J. PASSANANTE: Yes.

ASSEMBLYMAN McKEON: Hi, thank you for being here, Mayor. And thank you both for your patience in waiting while we got through the testimony in great detail, as we did.

So please go ahead and proceed.

And to my Committee, I'm going to try to get us out of here within 30 to 40 minutes, tops, on everything -- okay? So by 1 o'clockish we should be completed.

JOHN G. DONNADIO, ESQ.: We'll do our best to help you with that, Mr. Chairman.

As you said, my name is John Donnadio with the New Jersey Association of Counties. I'm very happy to have with me Gary Passanante, who is the Director of Shared Services for Camden County and also the Mayor of Somerdale in Camden County.

I'm going to defer most of my time to the Mayor; however, there are a couple of things that I wanted to underscore that Mr. Fehrenbach from the League of Municipalities spoke of a little while ago. And the Association has long been an advocate for sharing services as an important way to potentially save valuable taxpayer dollars.

But Fehrenbach brought up two things: one was the Employee Reconciliation Plans. And I just want to give you a little example of two of our counties that this past year decided to share their juvenile detention facilities. And, as a result, under the Uniform Shared Services and Consolidation Act and Employment Reconciliation Plan, had to pay out \$738,000 in payouts to employees pursuant to the Uniform Shared Services and Consolidation Act. Now, at the end of the day, the counties, through a long feasibility study, determined that this consolidation of the two juvenile

detention facilities would save \$10 million per year and \$128 million over the life of the interlocal services agreement. So it was well worth the exercise, well worth the consolidation, but at a significant cost to this particular budget year.

And the other thing, too, Mr. Chairman, is that we look forward to working with you and your staff on legislation concerning the consolidation of health departments. As we've discussed before, this is a particular issue at the county level where you're going to find more and more counties consolidating the health departments of, or providing health services for, the municipalities. And there have been several counties, as Mr. Fehrenbach pointed out, that have bitten the bullet to provide those services, but took on this extra salary and extra staff under Title XXVI. So we look forward to working with you and the League on rectifying some of these specific statutes.

I would like to turn it over to the good Mayor here, who is going to talk a little bit more about some of the County successes in sharing services with municipalities; and also we're going to advocate a little bit for the COUNT Program, which was a grant program funded through the Department of Community Affairs that is in the process of phasing out. We're going to lose the majority of our county shared services -- coordinated services providers throughout the state. And also he has some specific recommendations, too.

So thank you.

ASSEMBLYMAN McKEON: Good. We'll look forward to the successes in some-- In particular, we're much interested in your

recommendations to us as to what legislative action needs to be taken to assist.

And Mayor, God bless us all. I don't know that the State is going to come up with any additional money to facilitate the kind of success that maybe you've enjoyed through the one program you said. I think the Commissioner made that crystal clear to us before, and we all understand the economic reality of that.

So Mayor, thank you and welcome again.

MAYOR PASSANANTE: Thank you, Mr. Chair and Assembly members of the Committee, for the time to be able to speak today. And yes, I know we're all in very difficult times, and while I did not prepare a specific statement -- because I just like to talk more off the cuff, and talk more practical about what goes on in our communities and what I've been exposed to -- I did submit that packet that has the CD-ROM. So that one that was floated around earlier you have. So that is a packet that has a number of attachments; the disk itself has a lot of information on it.

I'm here wearing a couple of hats, actually: I'm finishing out my 15th year as Mayor in my community. I have recently taken on the position of Director of Shared Services for the County of Camden -- that was this past summer. And I also sit as one of the acting Commission members for LUARCC; hopefully you all know what LUARCC is. I am the only Mayor that sits on that Commission.

And so I'm here to speak about all three positions and how they really weigh in, and suggest some -- as you're looking for opportunities to be able to move shared services and consolidating services further on.

As was mentioned earlier, we had a \$4.8 million grant that brought our counties together through the COUNT SHARE Program. And I have to tell you, while it was somewhat new to me as far as acting in the role of our County Director, I can tell you that that organization has been paramount in sharing concepts, ideas, and really stimulating increased and enhanced shared services with our municipalities that really filter through to the -- I'm sorry, the counties filtering through to the municipalities.

Camden County alone has undertaken a transformation initiative that started in 2009. Nearly \$1 million has been saved as part of that initiative. We have an animal control program which is pretty unique throughout the state: We've got 20 municipalities sharing in animal control.

Our 9-1-1 dispatch for fire and EMS has all 37 municipalities; and 27 municipalities sharing in the police dispatch.

We have an energy purchasing co-op called South Jersey Purchasing Power Cooperative, which has saved about \$3.4 million for the 65 municipal participants that have been part of that program, and \$400,000 to just the County alone.

We have an animal shelter program -- which is also unique -- shared with 18 municipalities in Camden County. And we have a salt and plowing agreement that's shared by 21 municipalities in our County. Now, many of these have really been enhanced because of the activities of our Division with the other counties throughout the state -- Somerset being one of the leading counties, Morris County, and so forth. We've learned a lot from them on what we can do that's right, what we shouldn't do that's wrong.

And so disbanding us through the elimination of that funding is really a step in the wrong direction. While I know that there is no money -- but you're looking for solutions; you have solutions at hand right now, things that are happening currently. We meet on a bimonthly basis, and we share the kind of successes and information that's necessary for us to be able to move forward in moving in more shared services throughout our counties and municipalities.

So I really do ask that, somehow, you find a way to be able to encourage the activities to continue throughout our counties. And if there's any money that can be found anywhere, I think it's well-spent money and I think the successes that we already have shown will come out of that.

Switching my hat for a minute to my role at LUARCC: Again, I think you have a tool at your disposal that is already in place -- that was done by you, with your wisdom, in 2006 and 2007, to create LUARCC. And earlier today, the Commissioner made a comment that I thought was really important and specific to why LUARCC exists. And she said when the State plays too great a role in local government, it stymies the progress of sharing services. And LUARCC as an organization is a bipartisan Commission that is made up of experts -- from the counties, from municipal levels, from the State level -- that can provide that kind of cohesiveness, and information, and resources without the intimidation of being a State entity that can stymie the progress.

There was a question earlier that Assemblyman Burzichelli asked about ideal size of towns. We actually have some studies, if you go to our website, that were done through Rutgers that talk about sizes, optimum

sizes, and it really is in correlation to delivery services. So while you can't really look at the size of a town and say, "This is an optimum size of a town;" what you can look at is, "What is the optimum size for a delivery service to be efficient?" And those studies exist, and LUARCC has already gone through that effort and has that posted to their website.

The core report established, when they put LUARCC together, and said, "Tough political decisions are often most expeditiously made through the use of bipartisan commissions." That's exactly what we do. We get together, really on a monthly basis, with very little cost to the State in putting together this information and providing guidance for municipalities of looking at higher levels of sharing services.

In that packet I gave you is some history on LUARCC; some information about where we're going, what we've done so far. There's a lot of study information in there. There are two specific recommendations that were sent to the Governor concerning things on public health which were talked about earlier; and also on police services and some of the impediments in trying to look at merging police departments.

Now, I will tell you I speak from experience, because it was mentioned earlier that there's a four-town study -- it actually started as five-towns -- looking at merging police departments. My town is the lead agency in initiating that study. We're getting close to revealing the results of that study. We went from five towns to four because one of the towns decided to pull out. And we are working trying to come up with a way to be able to really put together five departments, at least initially, serving 20,000 residents and currently having about 60-plus police officers -- which

we know needs to be addressed. And there are impediments, and we've addressed those in some of the information I've sent to you as well.

I'd like to also mention there was a discussion of doughnut hole towns. LUARCC has studied that as well. In your information you can take a look at that. We've looked at all the doughnut hole towns throughout the state and made some recommendations in looking at how they should consolidate service deliveries. We are not recommending consolidating municipalities. We've determined that that really is not the solution; the real cost drivers are delivery of services. And you can do that and maintain identities with the communities, but still deliver the services effectively. And that's really where the money is at.

We've also looked at and we've produced a municipal operational index. You take a look at that and you're going to be able to measure the performance levels of each of the communities as they compare to their neighboring communities, and as they compare to the average for their county. Very good information is available; it's been done by this Commission over the past two years and it is available to you to be able to reach out and get that information in your decisions going forward.

There was also a mention by the Chair about agreements in merging services and how they should be structured. We actually addressed that as well, and we've got a paper on that that talks about length of agreements, the commitment levels, what are the things to look for in case you need an out, what do you write into your agreements to make sure that there is an out.

So I am hoping that what you're finding is that you've got two great tools at your disposal right now: You've got the Association of

Counties, working in our Share Grant program, that get together at a higher level to talk about how we can share services; and then you've got LUARCC as a Commission that's working independently to try to provide you the information. And we ask that both of us stay around, because I think that they would be a valuable tool -- in this kit that keeps being talked about -- that's already available, that you can use right now.

With that, I'll open for any questions.

ASSEMBLYMAN McKEON: Mayor, thank you very much.

Questions for the Mayor?

ASSEMBLYWOMAN COYLE: No; good job.

MAYOR PASSANANTE: Thank you.

ASSEMBLYMAN McKEON: I appreciate it much, especially the written package. I'm sorry that we didn't get a chance-- I didn't get a chance to review it before the fact. But I will certainly do that, as I know my Committee members will, and maybe continue to use you as a resource.

MAYOR PASSANANTE: Well, I appreciate that. And the CD-ROM that was created for the League of Municipalities conference -- that was a session run by LUARCC -- that CD-ROM was delivered to over 200 participants that arrived at that session. We actually turned 65 people away at the door because we couldn't fit them. And LUARCC-- That session was very well received by the members who came to the convention, and we distributed about 200 of those CD-ROMs. There's a link there directly to our website and it will give you the access to the other study information that LUARCC has presented.

And let me just close and say that right now LUARCC is one of those commissions that's been talked about that was going to go away. I

urge you to really consider continuing the small amount of funding that LUARCC needs to be able to continue its hard work. It's made up of a Commission of bipartisan members; there are two open slots that the Governor has yet to appoint. And we ask that you continue allowing us to do the great work. And a lot of the study work that you're going to see was done by a very limited group of people that has been really dedicating a lot of time to that Commission.

ASSEMBLYMAN McKEON: Just saying, Mayor, I know the Commission falls under DCA. And, at the end of the day, the Commissioner had talked about the resources of the Department, if you will, and helping communities that want to get together with these kinds of agreements to help facilitate that. So I would imagine that that Commission is already in place, *vis a vis* LUARCC.

MAYOR PASSANANTE: Well, actually, the Commission does not fall under DCA -- they're actually a member. They are an ex-officio member, okay? And the transition reports advised that LUARCC be eliminated, which makes no sense at all. I'm just calling it like it is, and we're a resource available with a tremendous amount of experience in the past couple of years. And we make recommendations; we've got a lot of things working right now. And so I would suggest that you as a Legislature, who created us, continue to support the actions that we're doing going forward, because it is an important aspect. I think the Senate President has already indicated that he feels that LUARCC should continue and actually be strengthened to give us more ability to do things that need to be done in consolidating services. And I believe we have Assemblyman DeCroce -- has already indicated that he's very supportive of what we're doing.

So I just ask that you take a look at what we're doing and our work, and I think you have a great packet to get started with that.

ASSEMBLYMAN McKEON: I appreciate it.

Just a last question I have for you: What's the single most-- My opinion is, it's a combination of political will and lack of financial resources that would be able to initiate a shared service agreement -- that's the reason why they don't happen more. Do you have an opinion different than that?

MAYOR PASSANANTE: Yes, I can actually tell you that our studies reveal that the single most important element is political will -- number one. Number two, beyond that, is the ability to effect a change that you can demonstrate sizeable savings -- short term and long term. And the problem with the short term is, there's typically a major investment necessary to be able to get over the hurdle of joining, at the top, something like police. And without implementation monies to be able to get over that hurdle, you can't see the long-term savings that will happen over a three-to-five year period. And that's really the critical part of it, is having the political will and being able to demonstrate real savings; and getting through year one or two, which is so difficult in any of these major consolidations.

ASSEMBLYMAN McKEON: Mayor, again, thank you; thank you both for your time and expertise.

Any questions? (no response)

Okay, seeing none, I'm going to close this portion, if you will, of the hearing; and open it up to a shorter portion -- but nonetheless,

something that's quite significant that I know Mayor Burzichelli and I have a particularly interest in -- relative to reserve for uncollected taxes.

With us today is Mayor-- Thank you, you've been so patient. I know how busy mayors are, and I've been watching you with ants in your pants in the seat there trying to get up. And I appreciate, Greg, you being here again.

I'd like, to join you, Ed Coleman, the CFO of the Township of West Orange, who came here on my invitation today. Ed and I have had many discussions about that, and I thought it was important for this Committee to put this issue that's going to be coming down the track like a freight train, with January 1 rapidly approaching and everybody needing to strike their budget-- To let this Committee, as a part of our charge, understand how significant a factor this is, and try to help to do something legislatively to correct that.

Mayor, we'll defer and start off with you, and then perhaps--

MAYOR JANICE S. MIRONOV: I'd be happy to, sure, Assemblyman McKeon -- thank you.

I'm Janice Mironov. I'm the Mayor of East Windsor Township and the Second Vice President of the League. And I thank you for the opportunity to address this issue.

Reserve for uncollected taxes doesn't sound like the sexiest issue, but it's one of the most significant issues to municipalities; and it's one that, with the enactment of the new cap, has been left off the table to the extraordinary detriment of towns.

ASSEMBLYMAN McKEON: Mayor, when it comes to sexy issues of municipal finance -- there are none. (laughter)

MAYOR MIRONOV: All right; I accept that.

Let me, just for one moment, for those of you who-- I'm sure that most of you know what the reserve is, but let me just take a moment and explain what it is. It is a State-mandated part of all municipal budgets. And, essentially, where it comes from is that every year each of the governmental entities -- the school district, the county, the municipality, and any special districts -- come up with their adopted budget and they send it to the county. The county strikes a tax rate for that component based on the amount being spent and the ratable base -- the assessed ratable base -- of that municipality. That then, of course, translates into a total general tax rate for the town.

The municipal government under State law is required to collect all of the taxes for all of those entities. And as Mayor, I might editorially note that in most all cases the municipality is the very smallest part of the tax bill. For example, in East Windsor, the Township is about 13 percent of the total bill; the County is over 20 percent; the school district, 65, 66 percent. So that is our responsibility.

Now, what the State requires as part of the collection process -- and I'll throw this in editorially also -- is that as part of our budget we have to budget to collect all the taxes. So that's a significant expenditure the town's already making. But critically, and what you are addressing this morning, is that under the State law the town is mandated to provide for, in its budget, a reserve for uncollected taxes that ensures 100 percent payment of the taxes to all the other entities -- to the schools, to the county, and to any special districts. Now, why do we have to have reserve? We have to have reserve because we have to guarantee 100 percent payment of those

taxes, even if we don't collect the taxes which, of course, no town ever collects 100 percent. So that's the quandary that towns are put in right now -- to have a part of our budget that doesn't buy anything, doesn't purchase anything, does nothing for our municipal taxpayers except guarantee tax payments to everybody else.

Now, with the enactment of the new cap, that has not been taken into account at all. Under the prior structure, the reserve was exempt from the 4 percent cap. Now, why is that important? It's critically important for towns right now, especially; it would be important at any time, but it's especially important with the challenging economic conditions that we face today. Because what are some of the things that affect our reserve? One, of course, if tax collections go down, we have to reserve more money. And with the challenging economy, the lagging tax collections that all towns are experiencing today, our collection rates, for the most part, have decreased.

A second important part that I do also want to discuss separately for a moment -- but it is part of the reserve calculation because it reduces the tax collection rate -- is when a taxpayer, residential or business, -- appeals a tax. They don't like their tax, they don't like their assessment -- they actually appeal their assessment, not their tax -- they feel it's too high so they file an appeal of that. That is filed to the municipality; the municipality has to handle and pay for the cost of handling that tax appeal. But then again, critically, and we find many people are not aware of this -- my residents are not aware of it -- is that if there is a successful tax appeal, the municipal government has to repay the total amount of the refund, even though in our case, for example, we only got 13 percent of that money to

begin with. We still have to repay the other 87 percent of the funds. So there's a double issue there: One is that that reduces our collection rate and requires us to increase our reserve. It's also a whole separate issue about where we get all the money to repay the refunds that are required.

And the third issue that confronts us now, with the new tax cap, with two percent cap, is that there are exemptions to the cap. So of course, whether it's pensions; health insurance; the school, when it formulates its budget, has a number of areas that are outside of that 2 percent cap. And if they're tax rate goes up more than 2 percent, that affects, again, our reserve. It increases our reserve because that means more taxes are being collected; we have to reserve at a higher rate.

So those are three important components that affect whether that reserve is increased. In the times that we are right now, I'll give you an example from my town this year: We have a town of close to 30,000 people, 16 square miles. We run very tight: Our budget in 2010 was about \$20 million, and I challenge you to compare that to anywhere. Having said that, our reserve for uncollected taxes in 2010 went up \$570,000. We had successful tax appeals, and we had to refund over \$500,000. That's over \$1 million. As you can see, that's more than 5 percent of my budget, which means it's more than 5 percent of my tax levy.

And essentially, without addressing this for towns, you are creating, and the State is creating, an unacceptable condition for towns. What are we supposed to do? Basically, you're gutting a municipal budget by virtue of the fact that the town has to pay the school, the county, and any special districts their taxes. It's not logical; it's obviously not equitable; and frankly, as a municipal official, it's really quite outrageous that we get

penalized for what's already a thankless task. If you think we like putting our names on the tax bills, that's already punishment enough. But beyond that it creates a real -- to call it a hardship is an understatement -- a really extraordinary situation and challenge for towns; and it's really important that this be addressed soon, and that it be addressed before we go into the new year, or the implications of it will be extraordinary.

Now, let me talk about the tax appeals for one more second, because what occurred is that currently, before the enactment-- It's not currently anymore, but prior to the enactment of the 2 percent cap, the reserve was exempted from the cap. The other thing that existed was there was a waiver process, so that towns that had an extraordinary tax appeal refund situation at least had a safety valve that they could go in and present their case and get some kind of relief. So both of those issues are very, very vital issues for towns.

Now, in general, we would support a continuing exemption, although I'm going to just add that with the opportunity to review that, to ensure that there's no unintended consequences for towns with the transition to the new 2 percent cap, we would want the opportunity to do that. And, of course, we also believe there needs to be some valve, some mechanism, some tool to address those situations where there are tax appeal refunds that the town is required to make.

So in a nutshell, that's the dilemma. It is a very serious one, as you can hear. And it's really critical that it be addressed swiftly by the Legislature and the Administration.

ASSEMBLYMAN McKEON: Mayor, thank you.

Before I ask Mr. Coleman to add to that -- having spoken to you enough, I know a lot of what you might have to say is cumulative -- but Ed, I might challenge you to give us a real-life dollar example with a mythical town that has an X number of dollar budget, in math so that we can all understand, to know how profound this problem is.

But Assemblyman Burzichelli, who I think is very in tune to this issue -- I know he is -- has to excuse himself as Deputy Speaker to start the quorum call; but he would like to make a comment before he does so.

ASSEMBLYMAN BURZICHELLI: Thank you, Chairman.

I just wanted to add-- Mayor, thank you. Just know that Assemblyman McKeon, myself -- particularly Assemblyman McKeon -- were point in trying to bring this issue to both the attention of the Governor and the legislative process at the time the 2 percent cap was being discussed and negotiated. And we didn't seem to get the attention that was necessary at the time, but we recognized -- he and I, and I think our colleagues as they start to get their arms around this -- how significant this is. And we have to go make this case, collectively, to both our colleagues in both Houses and the Governor's Office, that this is simply an unintended consequence of the cap, and it is completely away from everyone's control and will be simply devastating. Time is of the essence, but there is time. So your testimony here is helpful.

And Assemblyman McKeon has been point on this, and myself to a lesser degree in support of him. And we'll be dedicating necessary time to try and structure something, because this is going to affect a lot of people in a way that was not intended. So we have to work through this.

Thank you, Chairman.

MAYOR MIRONOV: Thank you, Assemblyman.

ASSEMBLYMAN McKEON: John, thank you for your extraordinary commitment and time, being here on a non-Committee assignment. We appreciate that and your expertise.

Ed, if you could -- Mr. Coleman.

EDWARD J. COLEMAN: Yes. We basically have similar problems to West Windsor.

MAYOR MIRONOV: East.

MR. COLEMAN: East Windsor. But I look at our reserve for uncollected taxes -- they went up from \$1.6 million in 2006 to \$3.9 in 2010. We had a proliferation of tax appeals in 2009 and 2010, totaling over \$2 million in both years. And coming into 2011, we have a \$2 million shortfall in our budget to cover those tax appeals.

In 2009, we were able to go before the local finance board for refunding bonds to refund those tax appeals, and that was the last time that was cut out of the-- They wouldn't address it in 2010.

So going into 2011, it is a very serious issue, and it's a something that I feel the Legislature has to address.

ASSEMBLYMAN McKEON: Well, Ed, let me just try to put this on everybody's map, to the extent that this is being monitored on the internet or otherwise. If a town or municipality's piece of the budget is \$100 million, and 98 percent was the tax collection rate with all the quantifications going in, that leads you to have to reserve \$2 million. And, in theory, it's because you have to pay-- Your budget is approved by DCA; you have to make sure your revenue sources are committed, so they make you reserve against what wasn't collected the year before.

MR. COLEMAN: Seventy-five percent of that is for other-- In our case, 75 percent of that is for the County and the school board, which is \$1.5 million of that \$2 million.

ASSEMBLYMAN McKEON: On top of everything else, besides the \$2 million you have to reserve, it's not even for your own expenses. It's to -- against the board and the county.

So now let's use 2011 as an example: If that goes to 97 percent -- just 1 percent different -- and now factor in the 2 percent levy cap, what does that do?

MR. COLEMAN: (Indiscernible) in our case, the total levy is about \$200 million, and we were reserving \$4 million. That \$4 million would go up to \$6 million. We have a \$50 million tax levy, with a 2 percent cap; we're allowed to increase our levy by 1 percent, or \$1 million, for exemptions. And we already have a \$2 million hole on our reserve front for uncollected taxes. So we're \$1 million in the hole. We have to--

ASSEMBLYMAN McKEON: In fact, by virtue of this not being an exception, really, because of an accounting principle, you've eaten up your whole -- the 2 percent.

MR. COLEMAN: And it's all economy related, too. I don't think the towns really want anything back when the economy gets going and all that, and we can reduce the reserve for uncollected taxes. But by the uncollected -- the amount of the reserve for uncollected taxes going up now is a very serious problem.

ASSEMBLYMAN McKEON: It's tantamount to almost having a negative cap, if you will, as far as what you can expend because of the

proportion -- of you collecting 100 percent but only actually utilizing a piece of that.

MR. COLEMAN: Correct.

ASSEMBLYMAN McKEON: Do you have some additional comment? And then I'm going to yell at all of us mayors for not being very active in this role, on this point.

MR. FEHRENBACH: I'm going to make some very quick comments.

I agree with the two previous speakers; I think Mayor Mironov provided you an extremely good description of what this is. This is, sometimes, one of the largest appropriations in a municipal budget, depending upon where it is. It is affected by the economy; it is affected by a number of factors over which local governments have no control.

A key concern is the fact that the tax levy cap showed us, in 2007 when it came into effect, that the loss of miscellaneous revenues -- the revenues that you receive that are not taxes -- things such as fines and permits, interest in investments, municipal court monies -- that in a down economy they fall also. And in order to maintain your funding levels, you then have no place to go except the property tax. And the property tax was capped at that point, so you had increasing expenses, decreasing other revenues, and a cap on the property tax.

In the earlier cap, you didn't have to be concerned about what was happening to the reserve for uncollected taxes because it was excluded from the overall calculation. With the inclusion of this in the overall calculation, you now exacerbate the problem that occurs as miscellaneous revenues drop, property taxes increase for whatever reasons they may be.

And then you end up in a condition where you actually will have a situation where you will have less monies to spend on the provision of municipal services in one year than you did in the prior year. And I would guarantee that in the event this provision stays in effect in 2011, that you will find municipalities actually operating on a smaller operating budget because they've had to send more money to the reserve for uncollected taxes; because to a great extent they've tried to keep that tight over the last couple of years.

Let's project forward two or three or four years, when this economic slump is eventually gone. Now, all of a sudden, we have had these odd periods of abnormally high reserve for uncollected taxes. And now, all of a sudden, they start dropping. Is it really the intention of the Legislature and the Governor to watch municipalities have excessive monies that they don't really need to be able to provide municipal services? It seems to me that leaving this out creates a whipsaw condition for municipalities -- a whipsaw condition that is not really in the best interest of the Legislature, the Governor, or the residents who end up having to pay the tax bill and are expecting to get municipal services for it.

The concern we ought to have is trying to have as even and tempered a property tax and a municipal services environment as is possible, and the current lack of an exclusion of this exacerbates the problem.

ASSEMBLYMAN McKEON: Greg, thank you for putting a ribbon around all that.

Let me ask you-- Mayor, you're a leader -- and Greg, you're a part of the League -- but Mayor, as a leader beyond just your community,

but someone who is well-respected among all her colleagues in the state, why aren't the mayors yelling about this? I mean, this is totally out of their control, and yet it's going to put each and every one of their budgets in a position to fail.

MAYOR MIRONOV: I testified previously on this issue back when we asked you all not to put the cap in place until-- I was before all the committees on behalf of the League and our local officials asking that all of the parts be put in place first; and I expressly addressed this particular issue because it is such a large, critical issue.

I know that many share our view and share our concerns. I think that this is one of those -- I called it a non-sexy issue. I think it is one of those things that is more technical in nature and that sometimes doesn't hit the visibility as much as police, fire, and other sorts of things.

ASSEMBLYMAN McKEON: You're not really finished, but my point is this point is more profound than any three of those together.

MAYOR MIRONOV: Absolutely. As you saw from all of our comments, and I already indicated for our town, this year it would have more than eaten up our entire cap allowance, and then some. So it is dramatic. And parenthetically, I have said to people the other option is we stop collecting everyone's taxes -- we stop guaranteeing them -- but no one, obviously, can proceed that way.

This is a dramatic issue, and one that all local officials should feel strongly about. You've heard from us before, you're hearing from us today; and if you want to provide any further guidance, we certainly will assist in rallying the troops on this matter.

ASSEMBLYMAN McKEON: Let me just-- I don't want to be too dramatic, and tell me if I'm wrong about this: But if we were to, hook, line, and sinker, accept the Governor's tool kit -- all 33 points -- would it make a difference as it relates to municipalities' ability to meet the 2 percent cap just based on this lack of exemption alone.

MAYOR MIRONOV: Right. That's absolutely correct. I will tell you, and on this I will speak because I have addressed it: The tool kit has a number of valuable proposals and things that will serve our residents in the State well over the years. But the fact of the matter is that the three-and-a-half areas that are most dramatic are restoring our energy receipts; doing something about COAH; and this reserve for uncollected taxes and tax refund issue -- accompanied by the pleas for those towns that have open contracts. Those are the drivers -- those are the property tax drivers. The other things are valuable, but for 2011 I can tell you, sitting right here, that for 2011 in my community, none of the tool kit issues will impact our property taxes. They may over time, and again many of them are very valuable initiatives. The three-and-a-half things, four things, that I noted are, I think, recognized among officials to be the major drivers and impacters of local property taxes for municipalities.

ASSEMBLYMAN McKEON: Again, we could put a flat 2 percent cap on everything as it relates to employee costs, whatever it might be. Without this change on the reserve for uncollected taxes in light of the economic circumstances -- massive layoffs.

MAYOR MIRONOV: Absolutely. The impacts will be dramatic. Assuming towns continue to abide by the existing State parameters, the impacts will be just dramatic. And the overall part of it that

is really particularly disagreeable is, essentially it takes what is the smallest component, in most all situations, of the tax bill and puts, basically, a body blow, a deathly body blow, to that entity under the existing circumstances. It would create chaos and unbelievable unfairness to towns throughout the state.

ASSEMBLYMAN McKEON: Shame on the Legislature, if we don't deliver to the Governor's desk a bill that creates this exemption in light of the circumstances presented. And I would hope you and your colleagues at the League can be as vociferous as they've been on some points, as it relates to this particular one, because that message needs to get to the Administration.

MAYOR MIRONOV: Assemblyman, you are absolutely 200 percent right. We appreciate your comments and your hearing us today and in the past. And we want to work together with the rest of our colleagues to ensure that this gets the prompt attention and action that it requires.

ASSEMBLYMAN McKEON: Well, Mayor, again, thank you very much. And I'm dominating the discussion, and I want to open it up to my colleagues at this point.

ASSEMBLYWOMAN COYLE: I'd like to thank you for your comments.

Did you turn my microphone off? (laughter)

ASSEMBLYMAN McKEON: I turned mine off so I wasn't speaking over you.

ASSEMBLYWOMAN COYLE: Just joking.

I'd like to thank you for your comments, and I think I share your concerns about the reserve for uncollected taxes. I think that's something we need to look at. As a former mayor and freeholder, we all know -- as a former mayor, we all know how important and how much money the reserve takes up.

Thanks.

MAYOR MIRONOV: Thank you.

ASSEMBLYMAN McKEON: Any other questions? (no response)

Thank you all for being so patient, but I know that-- Not that you need an education, and obviously you were part of things, but it was important for us to go through that.

And thank you for your patience and ability.

We got everybody out of here by 1:00, as I promised. And again, thank you all for a very productive informational session.

MR. FEHRENBACH: Thank you very much.

ASSEMBLYMAN McKEON: We need to strategize on a couple of levels, so we'll reach out to you very shortly.

MR. FEHRENBACH: Thank you very much.

ASSEMBLYMAN McKEON: Thank you, everybody.

(MEETING CONCLUDED)