



2009 Progress Report

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**NJ Department of Community Affairs
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Previous Publications by the Local Unit Alignment, Reorganization and Consolidation Commission

2008 LUARCC Progress Report

March 2009 Report - A Quest for Efficiency in Local Governance

Overview of the Literature Review and Analysis on Five Subjects Related to the Cost-Efficiency of Municipal Government

Literature Review and Analysis Related to Optimal Municipal Size and Efficiency

Literature Review and Analysis Related to Municipal Government Consolidation

Literature Review and Analysis Related to Costs and Benefits of Service Delivery Consolidation among Municipalities

Literature Review and Analysis Related to Optimal Service Delivery Arrangements and Local Government Efficiency

Literature Review and Analysis Related to Measurement of Local Government Efficiency

Members During 2009:

Jack Fisher (Mantua), Chairman Term: One Year

Steven M. Cozza (Bound Brook) Term: Two Years

Marvin Reed (Princeton Borough) Term: Four Years

Gary Passanante (Somerdale [Camden]) Term: Five Years

Robert F. Casey (Succasunna) Term: Five Years

Jane Kenny (Highland Park) Through February 2009

Vacant (Northern New Jersey)

Joseph V. Doria, Jr., Commissioner Department of Community Affairs Through July 2009

Charles A. Richman, Acting Commissioner Department of Community Affairs From August 2009 Through December 2009

David Rousseau, Treasurer Department of the Treasury

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Executive Summary

The Local Unit Alignment, Reorganization and Consolidation Commission (LUARCC) is an independent agency, a joint effort of the Legislature and the Governor to reduce the cost of local government by achieving economies of scale that maintain high quality service delivery in the face of resource cutbacks.

LUARCC is located “in” the Department of Community Affairs (DCA), but it is not a unit “of” DCA. It joins the State Treasurer and the Commissioner of DCA with representatives of the majority and minority leadership in both houses of the Legislature, along with experienced civic leaders from different parts of the state. It depends on cooperation from all departments in State Government as well as county and municipal leaders and their staffs.

It is deliberately bipartisan to avoid undue politicization of the municipal management process.

2009 was both an important and difficult year for the Local Unit Alignment, Reorganization and Consolidation Commission. Having been created by statute in the spring 2007, the Commission could not begin meeting for a full year due to delays in the appointment of members.

Despite these issues, in 2009 the Commission managed to complete its mandated report in March and develop the criteria-based framework for identifying specific municipalities for further examination.

Focus on Specific Municipal Pairings

The Commission developed a trial screening process for choosing clusters of municipalities to evaluate consolidation or realignment of services.

This screening process identified 34 potential clusters, including over 70 individual municipalities. North and South Subcommittees of the Commission discussed this initial list with the intention of choosing five or six clusters to examine in late 2009 and early 2010.

This list and screening process was then provided to the Walter Rand Institute for Public Affairs at Rutgers Camden (WRI) for validation and verification of the Commission’s methodology.

The Commission proposed a contract with WRI to scrutinize the municipalities selected by the validated screening process. This contract, however, is delayed by a statewide freeze on new contracts instituted due to the financial difficulties being experienced by the State.

The Commission intends to continue testing the validity of this screening process through the use of volunteers in the spring of 2010.

Economy of Scale through Realignment of Service Delivery

Local Public Health

The Commission recommends that the Department of Health and Senior Services (DHSS) continues to work with LUARCC to encourage larger and more efficient health service units that produce greater compliance with the nationally accepted Ten Essential Public Health Services.

Emergency Communications

The Commission recommends that the 9-1-1 Commission in the Office of Emergency Telecommunications continues to work with LUARCC to monitor counties or multi-municipal regional groupings within counties that are combining emergency communications dispatching.

The Commission recommends that state funding programs continue to study feasibility and implementation of merging existing services into more cost-effective centers.

In early 2009, the Commission recommended that the charge of the 9-1-1 Commission be expanded to include all emergency communications issues in optimal-sized dispatch centers capable of utilizing advanced telecommunications equipment to cover a maximum number of households and businesses with a minimal investment of tax dollars. The Commission recognizes the progress made in this regard when the 9-1-1 Commission and the Public Safety Interoperable Communications Coordinating Council were joined to form the Public Safety Communications Commission.

Municipal Administration of Justice

In line with recent efforts to tighten court security and to limit the perception of conflicts of interests among those who work regularly as municipal judges, the Commission recommends that the Administrative Office of the Courts (AOC) continue to work with LUARCC to create additional joint or regional courts.

To respect local interests in such local court mergers, the Commission recommends that the ballot question removing the gubernatorial appointment of judges in joint municipal courts be reworded to improve comprehension. Once rewritten, the question should be resubmitted to voters.

Construction Code Enforcement

The Commission recommends that DCA's Division of Codes & Standards (DCS) work with LUARCC and with County Administrations (excluding urban municipalities) to combine municipal building departments in a limited number of cost-effective, full-service DCS regional inspection units. The merger will better meet new construction demand and provide flexibility to withstand periodic economic declines.

Property Assessment

P.L.2009, c.118 established a pilot program in Gloucester County, transferring the municipal tax assessment function to the county through appointment of a county assessor and deputy county assessors. The statute also calls for the Commission to evaluate the program at the end of six years. The Commission is working closely with Gloucester County to identify and gather base data necessary for that evaluation. The Commission will also be examining the delivery of this service generically as it is practiced in the other 20 counties of the State.

Removing Data Roadblocks

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

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

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

Plans for 2010

The Commission plans on pursuing the implementation of past recommendations, continuing to examine the delivery of additional municipal services, beginning the difficult work of studying groups of municipalities, and developing a best practices manual for consolidation and shared service activities.

The Commission will also be developing recommendations, including changes to statute, that deal with overcoming obstacles to service sharing, realignment of services and consolidations. Some of the issues the Commission will address include:

- The restriction on the Commission preventing consideration of consolidations across legislative districts and county lines;
- Easing the preservation of local identity after a consolidation; and
- Changes to the vote process required to approve a consolidation.

Changing years of local practice is a daunting challenge. However, using modern technology and new media to organize data collection affords new opportunities to openly communicate how government functions. Economies of scale with a high degree of transparency are possible as never before.

The Commission has a broad charge – realignment of service delivery; reorganization of levels of responsibility; consolidation of governments into more cost-effective, efficient units; and far more extensive sharing of services. We look forward to accelerating the State's commitment toward those goals.

The Commission trusts that in the year to come, new appointments will provide a full complement of its membership. Freed of restraints on its ability to fill staff positions and/or contract for outside services, it awaits the opportunity to fulfill its ambitious agenda.

Introduction

The Local Unit Alignment, Reorganization, and Consolidation Commission (LUARCC), established under P.L.2007, c.54, is required to submit to the Governor and Legislature by January 31st of each year a report summarizing the Commission's activities over the course of the previous calendar year (refer to subsection 7a. of that law, compiled at N.J.S.A.52:27D-507). This progress report is submitted to the Governor and the Legislature in fulfillment of that charge and covers the period January 1, 2009 through December 31, 2009.

LUARCC is an independent agency in but not of the Department of Community Affairs. The Commission represents a joint effort of the Legislature and the Governor to reduce the cost of local government by achieving economies of scale that maintain high quality service delivery in the face of resource cutbacks. The idea for LUARCC originated during a special legislative session convened with the goal of enacting property tax reform. Following Governor Corzine's address to a joint session of the Legislature in July 2006, four bicameral, bipartisan joint committees were formed, one of which was the Joint Committee on Government Consolidation and Shared Services. Among the recommendations of that committee was the creation of a permanent commission to facilitate municipal mergers and the sharing of services among local units.

A permanent commission, LUARCC was created to examine more cost-efficient methods of delivering local services, identify best practices, and develop proposals to effectuate the consolidation of, and sharing of services among municipalities, fire districts, and other local taxing districts in the State with the exception of school districts, which fall under the purview of the Department of Education.

Over the long term, the enabling legislation envisions LUARCC as a bipartisan commission that will make recommendations to the Legislature proposing municipal consolidations or shared service agreements based on criteria developed through various research initiatives.

Members

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

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

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

At the close of 2009 the members of the Commission were:

Jack Fisher (Mantua), Chairman
Term: One Year

Steven M. Cozza (Bound Brook)
Term: Two Years

Marvin Reed (Princeton Borough)
Term: Four Years

Gary Passanante (Somerdale-Camden)
Term: Five Years

Robert F. Casey (Succasunna)
Term: Five Years

Vacant (Northern New Jersey)

Vacant (Central New Jersey)

Charles A. Richman, Acting Commissioner,
Department of Community Affairs

David Rousseau, Treasurer,
Department of the Treasury

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

Commission Meetings

During 2009, the full Commission met 12 times to pursue its mission. Meetings were held on January 22, March 27, April 17, May 6, May 28, July 23, August 17, August 28, September 24, October 22, November 16 and December 21. In addition, various subcommittees met during the year and reported back to the Commission as indicated in the minutes.

Activities

During 2009 the Commission involved itself in several activities. These fell into three primary groupings: 1) completing basic research on issues surrounding consolidation and shared services, 2) developing a method to study municipalities relative to consolidation and 3) sharing of services and examining the delivery of particular services.

Basic Research

In March of 2009, the Commission released the results of work it had contracted with the School of Public Affairs and Administration at Rutgers-Newark (SPAA) to undertake separate literature reviews to answer five fundamental questions which underlie the legislative charge:

- Is there an optimal size of municipal government entities from the viewpoint of efficiency or other similar criteria?
- Is there an optimal population size associated with the cost-efficient delivery of the following municipal services: police, fire, health, public works, courts, and animal control?
- Based on the literature, what are the costs and benefits of municipal consolidation, primarily looking at evaluations of municipal consolidations that have occurred with a view to determining whether creating larger geographic units results in greater efficiency and cost savings or yields other benefits?
- What are the costs and benefits of consolidating municipal functions over a larger geographic area without actually consolidating local units? Does such consolidation result in greater efficiency and cost savings or yield other benefits?

- Are there case studies of municipalities that have attempted to measure their service delivery performance according to empirical measures? What were the measures, what type of data were required to measure performance, how was it ensured that the data were consistently measured over time, and are there examples of such benchmarking that can help inform LUARCC's work?

This effort resulted in six reports all of which are available online at <http://www.state.nj.us/dca/affiliates/luarcc/publications/> :

- Overview of the Literature Review and Analysis on Five Subjects Related to the Cost-Efficiency of Municipal Government;
- Literature Review and Analysis Related to Optimal Municipal Size and Efficiency;
- Literature Review and Analysis Related to Municipal Government Consolidation;
- Literature Review and Analysis Related to Costs and Benefits of Service Delivery Consolidation among Municipalities;
- Literature Review and Analysis Related to Optimal Service Delivery Arrangements and Local Government Efficiency; and
- Literature Review and Analysis Related to Measurement of Local Government Efficiency.

Each of the five reports describes the methodology employed for the five literature searches in detail. The overall strategy was the same for each subject. Focusing on the academic literature, specific search terms for each of the subjects were applied against approximately thirty bibliographic databases and other information resources. Senior research associates, under the direction of faculty supervisors, evaluated the initial sources found in the search to determine which were appropriate to include in the study. The researchers examined and annotated the sources that were selected. Findings in these sources, which were appropriate to LUARCC's research questions, were recorded and used to create each of the five reports that resulted from these studies.

The findings in these reports have provided considerable guidance in the work the Commission has undertaken. One of the most important things learned from this effort is that the complexity of the problem defies the creation of a single set of criteria that would be applicable to all municipalities. As is shown below, the recognition of this point is key in the shaping of the Commission's methodology.

Focus on Specific Municipal Pairings

Among the most basic charges to the Commission is that of ultimately recommending the sharing or realignment of services among or the consolidation of municipalities. For several months, the Commission devoted itself to the discussion of criteria for the identification of municipalities likely to benefit from studies related to shared services or consolidation.

The Commission experimented with and discussed a range of criteria to use in the identification of municipalities that might benefit from its efforts. Following extensive discussion, both during

Commission meetings and during meetings of a Process Subcommittee, which was created to focus the Commission's efforts, a screening process was developed. This initial screening process consisted of a number of steps as follows:

- **Identification of Initial Clusters**

First screening step is the identification of municipal clusters that together:

- are members of existing regional school districts of any type except regional high school districts (70 municipalities 31 clusters), or
- are in a “donut – donut hole” relationship. This relationship exists when a municipality (the donut hole) is surrounded by another municipality (the donut), or
- the donut hole municipality is “effectively” surrounded by the donut municipality such that normal travel into the donut hole passes through the donut, another state or a body of water.

- **Filter on Size**

Clusters without at least one municipality with a population below 10,000 are eliminated for this round of screening.

- **Filter on Connectivity**

Clusters where the road systems as shown in New Jersey Department of Transportation maps appear to be poorly integrated across municipal boundaries are given a reduced probability of merger.

- **Filter for General Compatibility / Incompatibility**

A series of items that would indicate the likelihood of achieving a successful merger are examined. Clusters with insufficient indicators of likelihood or numerous indicators of incompatibility are given a reduced probability of merger.

- **Test for Property Tax Impact**

Tax levels and valuations are examined to identify clusters where a merger could lead to a positive tax benefit.

- **Similarity of Provision of Police Services**

Clusters are examined to identify where a merger would result in a more cost effective and adequately staffed Police Service. Where such a result is not the case, a lower probability is assigned the cluster.

- **Creation of First Round List**

A determination is made on whether further consideration of merger should be investigated by the Commission at this time.

This preliminary process produced a list of 34 clusters for further examination and included over 70 individual municipalities.

Extensive discussions by both the full Commission and the advisory Process Subcommittee were held regarding this approach. Step 4 “Filter for General Compatibility / Incompatibility” was viewed as the most subjective as well as pointing to the greatest difficulty of the Task. With that said, all municipalities have certain significant peculiarities that cannot be accommodated in a one-size-fits-all approach.

It became clear that the Commission needed to develop a more complete method. A process was needed to test the developed criteria to see if it was reasonable or if there were missing pieces / supplemental information required.

The Commission also recognized that the criteria it was seeking could not be validated from a purely statistical perspective. The only way to test such criteria was to go to and study actual local governments. Yet the academic perspective was also necessary. In the fall of 2009, the Commission began to develop an agreement with the Walter Rand Institute for Public Affairs at Rutgers, The State University of New Jersey – Camden (WRI).

Specifically the agreement would call for WRI to work with the Commission to:

- Formalize and execute a criteria-based process as required by N.J.S.A. 52:27D-505 to identify municipalities for further evaluation to determine feasibility for realignment, consolidation and/or shared services;
- Construct a detailed protocol to use in examining individual municipalities to determine if sufficient cause exists for conducting either: (a) a full consolidation study, or (b) studies to share or consolidate individual services or government functions;
- Assemble and maintain a pool of established expert consultants with direct operational experience in both: (a) municipal government, and (b) either (i) service sharing or (ii) consolidation, to evaluate the feasibility of consolidation or sharing of services;
- Develop reports with recommendations based on the studies conducted by the consultant teams, giving particular weight to the input of the involved expert;
- Develop and implement neutral strategies to support municipalities in the consideration and implementation of recommendations; and
- Refine and apply this process as other municipalities with potential to share or consolidate services or entire municipalities with contiguous municipalities are identified during the period of this agreement.

In more general terms, through this agreement, the Commission and WRI would apply the initial set of criteria to identify clusters of municipalities for study (the screening process). The studies would be conducted utilizing both the capabilities of the academic world as well as the understanding of a pool of seasoned local government experts with experience in a range of local government functions, including public safety, local government finance, public works and administration.

The Commission and WRI would not be presuming the outcome of these studies. The results could range from recommending that municipalities study consolidation or share specific services with other municipalities to recognizing that the municipality requires little or no change in the manner in which they are organizing services.

Following the first set of examinations (expected to involve from 10 to 15 municipalities), the Commission and WRI would reevaluate the selection criteria as well as the examination process

before moving to a second round. Further the Commission would follow-up with the first round participants to determine the effect of the efforts.

Before beginning the site-specific work, one of the first activities WRI undertook was refining the screening process described above. WRI took the work already done by the Commission and applied frameworks from the academic community. WRI combined the factors identified by the Commission with “impulses” that, according to academic literature, encourage or impede the success of efforts for regional cooperation.

The initial results of that effort are:

- **Proximity (Natural Resource and Centrality-Based Impulses)**
 - Contiguous borders: would include contiguous borders between municipalities to be quantified by taking the shared border as a percent of the municipality’s total boundary line.
 - Interconnectivity: would capture the number of main roads that cross the shared municipal boundary.
 - Connectivity barriers: would consider the percent of the shared boundaries that are natural barriers such as rivers, but also manmade barriers such as a military installation or highways that separate with no exit. Again the quantifying measure would be the percent of total border involved.
- **Demographics (Social Impulses)**
 - Size of municipality by population and density
 - Socio-economic status to include per capita income, race, poverty rate
 - Occupancy rate
- **Government and Politics (Political Impulses)**
 - Form of municipal government
 - Partisan or non-partisan election
 - Affiliation (% registered Republican, Democrat, Independent, Other voters)
- **Fiscal Status (Macroeconomic and Fiscal Impulses)**
 - Average total property tax paid per parcel
 - Fiscal Capacity quantified by an ‘Operations Tax per Residential Lot’ (The total of the municipal and local open space property tax, less the reserve of uncollected taxes multiplied with this sum being multiplied by the percentage that class ii, residential property assessed valuation is of the total assessed valuation of the municipality with that sum then divided by the number of class ii residential line items in the assessment duplicate, resulting in the average municipal property tax paid by each residential lot in the municipality.)
- **Existing Service Patterns (Historical Impulses)**
 - Number of existing interlocal/shared service agreements

- Services provided by common outside entity:
 - Police service, State provided
 - School district, regional
 - Library, county
 - Role of the county in providing traditional municipal services
 - Various regional service arrangements

During 2010, the Commission had planned to identify and examine at least two rounds of municipalities following this procedure. The Commission recognizes that this is a necessary learning process, which it believes will lead to a better understanding of local government operations in New Jersey. By following this course of action, the Commission had expected to:

- Assist the studied municipalities in identifying potential previously undiscovered opportunities for efficiency;
- Create an environment of greater cooperation between jurisdictions across different levels of government;
- Promote the sharing or realignment of services across jurisdictions;
- Document over time an understanding and knowledge about the operation of local government that can be shared with all of the municipalities in New Jersey and interested residents;
- Promote a better understanding among the public regarding the link between services, service levels and the reasonable costs of those services; and
- Provide the tools ultimately needed for local governments to better control property taxes.

However, the contract with WRI has been delayed by a statewide freeze on new contracts instituted due to the financial difficulties being experienced by the State. If the freeze is not lifted, the Commission intends to continue testing the validity of this screening process through the use of volunteers in the spring of 2010 with a more limited number of municipalities.

Economy of Scale through Realignment of Service Delivery

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

“Efficiency gains are related to size for capital or infrastructure intensive services such as sewer and water. The literature supports that this same concept is operative for seldom used and specialized services, such as a high technology crime lab. This suggests that some departments can be made more efficient by contracting, sharing, or receiving specialized services from a larger entity.”

These findings seem to indicate the potential for savings in a vast array of capital dependent and unique services such as emergency communications, public health and municipal courts.

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

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

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

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

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

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

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

"Fiscal and budgetary pressures also encourage cooperation between units of government. Conversely, grants or aid to maintain a service are disincentives to finding alternative service delivery arrangements."

These are issues the Commission has kept in mind as it developed criteria in the area of shared services as well as municipal consolidation.

The first three service areas that the Commission examined in 2008 and continued through 2009 were local public health, emergency communications and municipal administration of justice. In 2009, the Commission also began to examine construction code enforcement and property assessment services. P.L.2009, c.118 established a pilot program in Gloucester County, transferring the municipal tax assessment function to the county. This act also required LUARCC to evaluate the effectiveness of this program. The Commission was guided by the availability of data in developing a plan of action for examining each of these areas. The overall goal in pursuing further research in these areas is to:

- Identify and promote the use of best practices in measuring performance; and
- Attempt to assess the cost-effectiveness of service delivered on a regional, as opposed to local basis.

Discussions of the Commission's activities in these areas appear below.

Local Public Health

Service Delivery and Performance Outcomes

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

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

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

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

Local health officers submit to the department a Local Health Evaluation Report. This report does not monitor performance or outcome measures but instead characterizes the responsibilities of the health officer as a series of questions and asks about compliance. In effect, the report constitutes a self-evaluation on the part of the health officer. The report does not elicit information about public health outcomes or performance. Within the current structure

at present there is little or no independent verification that the Practice Standards are being assured by the local health departments. Only through complaints does the DHSS become aware of problems.

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

Monitoring Local Public Health Departments

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

That there is a considerable amount of sharing in service delivery has been used to suggest that public health offers a model that might be emulated in delivering other services. On the other hand, there is little empirical evidence available to demonstrate that the system is rational and cost-effective.

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

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

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

- What routinely needs to be known about financing of the public health system?; and
- What information is needed to answer these questions?

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

- A classification framework within which to measure financial performance;
- Electronic reporting of standard data;

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

As an example of one methodology to gauge performance of local public health departments, a public health finance and ratio analysis has been developed and is being considered as an evaluation tool by some State and local health offices. This ratio analysis represents an application of the type of performance benchmarking pioneered by the International City/County Management Association (ICMA) for use by county and local governments to public health. Appendix B contains an example of a financial data framework which can be tailored to the reporting needs of individual departments.

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

The Commission recommends that the Department of Health and Senior Services (DHSS) continue to work with LUARCC to encourage larger and more efficient health service units. These units may be structured either as County-based or other regional groupings. The groupings should be designed to produce greater compliance with the nationally accepted Ten Essential Public Health Services, offer economies of scale, broaden staff specialization, and provide experienced well-trained management at more reasonable cost.

Emergency Communications

Move toward Regionalization

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

Indeed the wisdom of seeking to consolidate emergency communications appears so self-evident that the State has offered grant programs specifically targeting the consolidation of 9-1-1 answering. A number of consolidations have taken place across the State. Several counties have implemented countywide communications systems. For example, in the southern part of the State, Gloucester County has developed an impressive emergency communications system that represents the technological state of the art and provides full answering and dispatch services for every community in the county. In the North, Somerset County also has an advanced communications center and is actively working to bring all of its municipalities on board with their communications center as a way for those towns to save significant tax dollars and improve the quality of life-saving services. Currently 18 of the 21 communities in Somerset

are involved in these services. Other counties such as Burlington and Monmouth have been active in the regional emergency communications function for many years.

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

In the absence of a data base, which might help compare costs in one location prior to and following upon regionalization, an alternative methodology might embrace a comparison of spending patterns across the State, trying to identify increased savings associated with regionalization. The data included on the standard budget sheets prepared by local finance officers and submitted to the Division of Local Government Services are not designed for this type of endeavor and therefore are not useful in attempting to identify expenditures on emergency communications. While much of this information is available at the local level, access to statewide data for comprehensive analysis does not exist.

Identifying Criteria to Guide Service Sharing

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

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

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

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

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

In early 2009, the Commission recommended that the charge of the 9-1-1 Commission be expanded to include all emergency communications issues in optimal-sized dispatch centers capable of utilizing advanced telecommunications equipment to cover a maximum number of households and businesses with a minimal investment of tax dollars. The Commission is pleased that the 9-1-1 Commission and the Public Safety Interoperable Communications Coordinating Council were joined to form the Public Safety Communications Commission.

The Commission recommends that the 9-1-1 Commission in the Office of Emergency Telecommunications continue to work with LUARCC to monitor counties or multi-municipal regional groupings within counties that are combining emergency communications dispatching in well-equipped centralized facilities operated by well trained staffs.

The Commission recommends that State continue funding programs to study feasibility and implementation of merging existing services into more cost-effective centers.

Municipal Administration of Justice

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

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

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

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

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

In its examination of this issue, the Commission recognized the potential savings of merging municipal courts. It also recognized that the current process of appointing judges to joint courts

by the Governor created a significant roadblock to developing such courts. A constitutional amendment was on the ballot in 2008 shifting control of this appointment to the municipalities. While this question was defeated, the Commission believes that the wording of the question was confusing and misleading. Therefore to respect local interests in such local court mergers, **the Commission recommends that the ballot question removing the gubernatorial appointment of judges to joint municipal courts be reworded to improve comprehension. Once rewritten, the question should be resubmitted to voters.**

In line with recent efforts to tighten court security and to limit the perception of conflicts of interests among those who work regularly as municipal judges, **the Commission recommends that the Administrative Office of the Courts (AOC) continue to work with LUARCC to create additional joint or regional courts.**

Construction Code Enforcement

In October, the Commission received testimony from the Division of Codes & Standards (DCS) in the Department of Community Affairs (DCA). This division is the enforcement arm of the DCA for the Uniform Construction Code. The DCS gathers budgetary and roster information from each municipal building department. According to the DCS, one-third of New Jersey building departments are either involved in shared services with another municipality (140 municipalities) or the State (38 municipalities). The determination of the fee schedules is made by each municipality; however, by statute, the fund is to be revenue neutral. In other words, the revenues for the inspections are intended to cover, as near as possible, the cost of the service, no more or less. DCS has mandatory time frames for performance of certain services. In New Jersey there are 56 shared services agreements for this service.

DCS has conducted staff analyses of local code enforcement operations on occasion, and has responded to complaints regarding inappropriate fee structures, but does not routinely or proactively study them.

DCS cited two examples of county-wide code enforcement operations, one in Ocean County and another one in Bergen County. However, according to DCS, neither is still active.

The Commission would like to be able to examine all the fee schedules from all the municipalities. However, according to DCS, this information is not on hand and would have to be collected by another means.

The Commission expects to examine this issue in greater depth during 2010.

The Commission recommends that DCA's Division of Codes & Standards (DCS) work with LUARCC and with County Administrations (excluding urban municipalities) to combine municipal building departments in a limited number of cost-effective, full-service DCS regional inspection units. The merger will meet new construction demand and provide flexibility to withstand periodic economic declines.

Removing Data Roadblocks

A continuing theme in this report revolves around the lack of reliable, policy-relevant data. The lack of consistent and comparable financial and performance data on New Jersey's local governmental units renders identifying potential savings and service improvements nearly impossible without detailed feasibility studies analyzing very specific sharing arrangements. Local units do not account for financial or performance activity in a uniform or consistent

manner. What information they do collect is not available in an electronic format that allows for analysis that would help identify operational improvements that could be generalized. This lack of uniform data prevents the use of modern analysis tools that would allow for the identification of similarly situated units, the use of inter-jurisdictional benchmarking and the discovery of best practices appropriate to individual local units.

Local Government Budgeting

Local government accounting in New Jersey has advanced over the past several decades from minimal single entry non-standard practices to the current use of a more standard Flexible Chart of Accounts (FCOA) and double entry accounting. The FCOA provides for relatively uniform budgeting for appropriation and expenditure for general government functions. However, the current structure does not guarantee amounts under a given line item are comparable from town to town even when the scope of services provided is the same. As an example, certain grant funding that supports a general government function would be budgeted under different line numbers in a separate section of the budget than expenditures for the same function supported by general funds. Comparing the general fund expenditure for a town that has not received the grant with one that has would understate the relative expenditure of the town receiving grant money.

The Division of Local Government Services is currently in the process of developing a User Friendly Budget that will address this issue to a certain extent. The User Friendly Budget will enable members of the public to obtain a better understanding of municipal activity and to develop a better informed capacity to participate in local government decision making. However, it will not provide the level of detail necessary to perform the more complex inter-jurisdictional analysis called for by the duties of LUARCC or required to perform a more robust program of identifying potential property tax savings. An enhanced FCOA that would improve comparability of full municipal budgets would move the State in that direction. An enhanced FCOA would also provide a level of accountability and transparency not possible under the current system.

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

Operational Data on Performance

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

According to research performed by SPAA, "...a performance measurement system should include the following:

- A system of benchmarking among the local governments in the state in order to facilitate improvement and best practices;
- A system of different types of performance measures including workload, input, output, and outcome indicators;

- A system of management review that encourages management action and monitors its effectiveness; and
- Reporting to the state of performance measures and management initiatives resulting from the analysis and review of the performance measures.”

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

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

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

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

Availability of Data for Analysis

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

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

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

Property Assessment

P.L.2009, c.118 established a pilot program in Gloucester County, transferring municipal tax assessment function to the county through appointment of a county assessor and deputy county assessors. The statute also calls for the Commission to evaluate the program at the end of six years. The Commission is working closely with Gloucester County to identify and gather base

data necessary for that evaluation. As part of its examination of individual services, the Commission will also be examining the delivery of this service as it is practiced in the other 20 counties of the State.

Plans for 2010

The Commission plans to pursue the implementation of past recommendations, continue to examine the delivery of additional municipal services, begin the difficult work of studying groups of municipalities and develop a best practices manual for consolidation and shared service activities.

Some issues raised during 2009 Commission meetings that the Commission will review further in 2010 are:

- Review and recommend changes to statute that impede the ability of the Commission to pursue its mission;
- Develop incentives to encourage sharing and realignment of services as well as the consolidation of municipalities where warranted;
- Examine the role of tax structure on service delivery choices on the municipal level; and
- Develop alternatives for preserving local identity and custom following a consolidation.

The Commission will also continue to examine specific service areas. Some of the functions the Commission may examine during 2010 in addition to following up on those mentioned elsewhere in this report are:

- Police (municipal, regional, county, and State)
- Fire Protection (particularly fire districts)
- Fire Inspections
- Tax Collection
- Public Works
- Electronic Budgeting

Conclusion

The Commission trusts that in the year to come, new appointments will provide a full complement of its membership. Freed of restraints on its ability to fill staff positions and/or contract for outside services, it awaits the opportunity to fulfill its ambitious agenda.

Changing years of local practice is a daunting challenge. However, using modern technology and new media to organize data collection affords new opportunities to openly communicate how government functions. Economies of scale with a high degree of transparency are possible as never before.

The Commission has a broad charge – realignment of service delivery, reorganization of levels of responsibility, consolidation of governments into more cost-effective, efficient units, and far more extensive sharing of services. We look forward to accelerating the State's commitment toward those goals.

Appendix I

Jack Fisher, BA (Mantua) serves as the Commission Chairman and is currently Managing Director of Tri-State Strategies NJ, LLC a consulting company. Fisher, during a tenure of public service stretching over four decades, served as Gloucester County's first Planning Director and first County Administrator.

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

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

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

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

Charles A. Richman, (Freehold) Acting Commissioner, Department of Community Affairs, has held senior positions in New Jersey State Government since 1975. He served as Executive Director of the NJ State Energy Office before being appointed Assistant Commissioner and then Acting Commissioner of the New Jersey Department of Energy. He was named Assistant Commissioner of the Department of Community Affairs in 1986 until his promotion to Deputy in 2005.

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