

SHARED SERVICE THEMES

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In the Fall of 2009 and the Spring of 2010, LUARCC interviewed a number of elected officials who have been actively involved in developing shared service projects as well as consultants who perform shared service activities. The purpose of this Report is to summarize the major "themes" that ran throughout these various discussions so that involved local officials / interested local citizens can learn and benefit from the experiences of others.

- 1. The Political Will** - the key ingredient to creating a successful shared service project is the political will of the elected officials. "Political Will" refers to the willingness of the elected decision makers to give serious consideration to proposals for change, and, if the proposal is in the best long-term interest of the affected municipalities, to proceed with implementation even though there may be local opposition to the project and the implementation may have a short-term negative impact on existing officials / employees / past practices.
 - Although the need for saving money often brings local leaders to the table to discuss shared services, it is the "political will" of the decision makers that makes the project succeed.
 - The key to success is to involve all participants directly in the process, especially the elected officials and the local department heads directly managing the service being shared.
 - Direct participation by the elected leaders leads to their acceptance of the final proposal as "their proposal" and not a proposal of some other third party or agency – it is easy to dismiss the proposal of others when opposition evolves; however there is a tendency to continue the discussions even when opposition is present when one is directly involved in crafting the final end product.
 - Although saving funds is a prime motivator, a secondary motive to proceed with a shared service activity is having a "problem to solve." In all of the successful major shared service activities, the shared service agreement addressed a common concern or "problem" that the elected officials and others recognized had to be resolved to improve the service being provided.

Interestingly in police shared services, a major concern was improving overall police response and capability – especially in sharing between small municipalities / departments. Elected officials felt very strongly that they could not compromise public safety in the final analysis and those who implemented proposals felt very strongly that in the end, not only were there cost savings but also the public was being served better.

The most successful police shared service activities have been created not due to the work of any consultant or third party but due to the direct and personal involvement of the elected officials.

2. “Incrementalism” and “Co-optation” Two key concepts in developing shared service projects

a. Incrementalism

- You must develop "trust" among the participants and this can best be done thru involvement in a number of smaller projects / activities leading to acceptance of a larger scaled operation.
- If you believe there will be opposition to a major activity, then consider doing it incrementally.
 - e.g. in police, start with shared coverage of third shifts, shared expertise in training or technology, shared dispatch, possible shared detective / traffic / records management etc. and finally a shared department.
 - e.g. in public works start with sharing equipment or specialized services, such as street sweeping or pipe cleaning, leading to larger more complex activities.

Available on the LUARCC website there is a detailed list of activities that are common to municipal operations that can serve as a checklist of potential shared activities.

<http://www.nj.gov/dca/affiliates/luarcc/>

b. Co-optation

- In the exploratory and planning process, involve all interested parties and stakeholders. Especially involve the elected leaders as well as the department heads responsible for providing the service.

- The key is that the final proposal is "our proposal" and not "their proposal" - the way to get people to identify with the end result is to make them a party to the creation of the piece.
- It is important to involve potential opponents so that their concerns are known / accounted for / resolved / negated in the final proposal.
- Make sure existing department heads are actively involved so that they are responsible for bringing good data and information to the table - avoid future "surprises."

3. Avoid Emotional Terminology

- The concept of "consolidated operations" evokes a permanence and loss of identity to which many object.
- Likewise, the term "merged operations" has a connotation of the continued existence of existing good will.

4. Think Long Term

- A successful shared service project has a term of at least 5 years but preferably 7 or 10 with good participatory management and opt out clauses.
- Shared services are easy to get into but equally easy to get out of - both a strength and major weakness. A successful shared service agreement allows for an orderly and thoughtful withdrawal process.
- A successful shared service agreement has a term that is long enough to have a fair evaluation of its success / failure.
- Cost savings may be minimal in initial years or even on an annual basis but over time these savings as well as other ancillary benefits (improved services, avoided costs, etc) add up. The shared service project needs time for this to happen as well as a mechanism to document on a continuing basis any financial savings / cost avoidances.
- During the life of a successful shared service agreement, there is a need to continue to educate people on the operation so it continues to be accepted.

5. Two Way Street

- A shared service contract to be successful in the long-term cannot be a simple "provider / receiver relationship" similar to the standard private sector contract operation.
- Each side must see benefits to the agreement whether it is cost savings / improved services by one and the expanded operation with economies of scale / technology / equipment for the other or other identified goals that should be set out in the final contract so that future reviewers can see why the agreement was created.
- Once one side downsizes and the other side upsizes for the transfer of the service and resources necessary to accomplish the designated services, it is difficult to change back. Both sides need to recognize that once one side downsizes, in all probability it will not in the future go back to providing the service in-house but may "seek alternate bids" - this may work well in the very short-term but may result in a long term inability to obtain the necessary services from any legitimate provider in the immediate vicinity.

6. Ongoing Participation and Ongoing Communications

- Continuous ongoing participation and communications are the keys to the survival of the successful shared service activity - there cannot be too much. The agreement must have a means to continue on an ongoing basis. It should also provide for good communication between the main parties and even a participatory process for joint management or advisory review and consultation of the actual operations.
- The agreement must set in place the minimum schedule for this committee and reporting to work - as a minimum, quarterly.
- All participants must feel that they have a direct and ongoing role in the operation, even if this role is advisory.
- Participatory involvement through either joint advisory or management committees of key leaders on both sides maintains the involvement of the decision makers encouraging their continued support. The receiving municipality must view the operation as an extension of their own operation – they must continue to identify with it and not simply dismiss it as "the other agency's operation."

- In addition, the provider department head should report periodically to the receiver elected officials as well as to any joint operations / advisory committee.

7. Write a Good Contract

- The agreement should have very specific in work performance requirements.
- The agreement should have details on cost data and how future costs are to be recognized.
- The agreement should have a process to handle the unanticipated costs, service requests, changing requirements and needs.
- The agreement should have a user-friendly conflict provision that tries to work thru mediation and non-legal confrontations to resolve issues, especially at the early stages.
- You can "win the battle" in the short-term in a conflict but the process may be so disruptive and destroying of trust and acceptance that in the long term the contract will self destruct.
- The agreement should have a multi-level conflict resolution process that encourages resolution at the lowest level of involvement with an escalation up the hierarch if unresolved with legal action being the final step.

8. Outline Detailed Service Expectations

- The agreement for services must set forth what is exactly expected and how it is to be paid.
- If there is no clear method of initial cost sharing, then use historic data to define service needs and work loads. Combine existing performance data / resources and compare the combined future service needs with other similarly sized operations to see what is reasonable for resource requirements.
- The agreement must have in it a specific method to change the scopes of services / cost structure to reflect changing conditions.
- When in doubt, set up, in the agreement, an evaluation period and a method to resolve the issues that rise during the term of the agreement; e.g. during the first year of operation gather work load data and operational data and then adjust the contract accordingly

with the contract setting forth the mechanism to be used for this adjustment.

- Several police shared serviced contracts as well as other shared service agreements are on-line at the LUARCC website and at the NJ League of Municipalities website.

9. Contract for 5 to 7 Years with a Good "Opt Out Clause"

- To give the operation time to adjust, allow no opt out in the first 24 to 36 months except for specific failure to perform the specified serves or other significant "good cause" related to services (not personalities).
- Opt out clause should provide a minimum of a 6 month notice of intent to allow the "participation committee" to meet and confer - if possible put in contract a specific mediation process / independent fact finding process that must come into play during this time frame.
- Goal is to avoid opting out due to a short-term political disagreement, emotional issue or other non-service related matter.

10. Contract Renewal

- Have a provision in the agreement that the parties must notify each other at least 1 year prior to renewal that they intend not to renew.
- If there is doubt about renewal, there is a need for time to allow any disputes to be resolved.
- If the agreement is not going to be renewed, there is a need for time to make alternate arrangements.
- If non-renewal intent is not exercised, then this is an indication that both sides intend to sit down and review the operation in a serious and meaningful effort to extend contract in existing or modified form.

11. Expect Opposition

- Change is difficult to achieve, especially when it directly involves employees and other officials. Fear of the "unknown" is difficult to overcome – hence the need for as much detail in the proposed contract as possible.

- Do not assume that a very vocal group of often directly impacted people (employees, relatives and friends) represent the entire municipality.
- Experience has shown that in instances where opposition was present, after 6 months of the shared service operation, the vast majority of residents accepted the new operation. However, you need the “political will” and courage to give the operation this time period to prove itself.

12. Where Are the Cost Savings?

- There normally is the elimination of duplication – especially in upper ranks and processing functions.
- There normally is a better span of control for management and supervision, e.g. 1 supervisor for 6 versus 1 for 3 in police and DPW activities.
- Experience to date has indicated no loss seen in the actual delivery of services, e.g. patrol functions / response times.
- There normally is a better use of a consolidated work force – the classic impact of the flexibility of larger organizations to respond to needs.
 - e.g. in police services, minimum patrol shifts – if the minimum # of actual m officers on duty is 2 and there are three neighboring departments with 2 each (total 6) if there were one integrated patrol coverage with “floating backup” you could very well operate with 4 or 5 on duty and not 6 (depending on time of day and historic calls for service, etc.)
- There normally is better technology / equipment / specialization.
- There normally is more equipment providing more flexibility in adjusting to downtime etc.
- There normally is cost avoidance in upgrades, etc.
- There normally is an increase in services due to larger work force available in the larger department.

13. How to Start - Look for Golden Opportunities – issues that must be addressed either singularly or jointly

- Retirements / pending costs or regulations that will dramatically affect existing operation / need for facility expansion / improvements, etc. non-compliance with state / federal regulations, etc.
- Shared service may be the "silver lining" in these storm clouds that can lead to an alternate and perhaps improved way of doing business.
- Obviously, the need to meet state restrictions on budget growth can be a primary justification to the public – the option may not be there to continue all activities so the message is: change is coming –the only real issue is choosing where and how.

14. Obstacles – Legal

- State Law - NJSA 40A: 65-et seq – Chapter 63 of the Laws of 2007 – the new Consolidated Shared Services and Consolidation statute.
- For police issues, see Subsection 8 - Preservation of Seniority, tenure, pension rights for law enforcement officers
- Civil Service impacts on establishing “combined” work forces, layoff plans, countywide reemployment lists, bumping rights vs. provisional employees, etc. (also cited in the new Consolidated Shared Services and Consolidation Statute.

15. Obstacles – Financial

- Long term impact of Tax Levy Cap – if the shared service has cost escalation clauses that may be greater than any of the Tax Levy or Appropriation Caps, then the used of any “cost savings” in the initial years to reduce budget revenues / appropriations may lead to future year problems.
- In implementation plans, look at anticipated costs / revenues for the upcoming 5-year period and be guided by these long-term projection and not short term “budget fixes.”

16. Obstacles - Other

- Fear by the public of the unknown – scare tactics.
- “Loss of control” – by those who may have used / abused the system before.
- “Change.”
- Excessive expectations by officials / public.
- Obstacles are often not rational, accept the fact that you cannot overcome them thru facts etc.

17. A Success Story

- Elected Officials knew that change had to come from financial and service provision basis. They: 1) examined the combined needs of the two jurisdictions; 2) developed an organization to meet those needs; 3) costed out the organization; 4) determined a fair cost sharing mechanism; 4) compared this to existing operations and finally, 5) determined how they could go about meeting the defined goals with existing and improved resources.
- The resultant shared service agreement has been in operation for a number of months with community acceptance and improved service delivery

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