Local Unit Alignment, Reorganization, and Consolidation Commission

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

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EXECUTIVE SUMMARY

The Local Unit Alignment, Reorganization, and Consolidation Commission (LUARCC) contracted with the School of Public Affairs and Administration (SPAA) at Rutgers University, Newark campus in October of 2008 to conduct a review of the literature on service delivery consolidations. The literature reflects the fact that service consolidations, primarily through the mechanism of shared services, are the most common form of service delivery other than the direct delivery of service by municipalities.

Shared services (and inter-local contracting) are successful tools to increase efficiency of local government service delivery and are the subject of this report. The companion report on Optimal Service Delivery Arrangements and Efficiency discusses centralized services (for example, the delivery of a service by a county for all its constituent local governments) and local or regional special districts (for example, utility authorities and fire districts). The literature on consolidated service delivery yields the following major findings:

- Quality of service delivery is an important factor in implementing cooperative agreements. Because the literature can state cost savings more concretely, it emphasizes cost savings in describing successes.

- Sharing the cost for infrastructure development for improved service delivery, such as information technology and e-government, makes service improvements possible that would otherwise be too costly for an individual municipality.

- The literature demonstrates that municipalities can overcome hurdles to cooperation on a case-by-case basis.

- Governments must counter public concerns about loss of control, as well as concerns of organized labor, in order to realize the potential savings in consolidating public safety services.

- Local governments want to capitalize more fully on potential cooperation. States have provided incentives to encourage cooperation.

- A more focused effort by elected and appointed officials to develop arrangements for consolidating service delivery will lead to increased cooperation.

- Incentives to organizations that have been effective in creating cooperation would increase the amount of shared arrangements for service delivery.
• Fiscal stress provides an incentive to increase the focus on developing consolidated service delivery mechanisms. Grants to maintain services, which relieve fiscal stress for individual governments, reduce that focus.

Overall, the literature addressed questions in the scope of work for this report:

• The literature holds that consolidation of services leads to efficiencies in service delivery and improved service quality. The extent of those gains is not clear.

• Other arrangements that often have positive results on efficiency include privatization, regional agreements (such as special districts or regional and joint boards), centralized services, and two-tier governments.

• The literature identifies factors that are associated positively with higher levels of consolidated service delivery. They include wealth of the community, poverty of the community, and population size. Fiscal stress also induces cooperation. Suburban communities show a stronger association between increased contracting and lower cost of services. The literature does not discuss the relative benefits of these arrangements or the relationship of the benefits to other municipal factors.

• Two factors are negatively related to the level of consolidated service delivery. Large metropolitan areas and municipalities that receive grants for services are less likely to consolidate service delivery.

• Fear of loss of local control and labor issues are among the most common obstacles to consolidation of service delivery. Appropriate planning and communication about the consolidation effort may bring forth other issues that need resolution to make the consolidation succeed.

However, the literature did not address some questions in the scope of work:

• The literature does not indicate if there is any association between increased consolidation of services and expanse of the municipality, population age, demand for services, education levels, natural topographic features, age of community and infrastructure, the residential versus commercial/industrial land use mix, or factors inhibiting ratable growth.

• It does not identify the optimal arrangements for service delivery or the municipal factors that are associated with the optimal arrangements.
Questions from the Scope of Work on *Costs and Benefits of Service Delivery Consolidation among Municipalities*

Purpose of the Literature Review
Are there cost or other efficiencies to be gained from the consolidation of municipal service delivery efforts across local governmental jurisdictions? Are there diseconomies of scale associated with service delivery operations over multiple jurisdictions? The commission is focusing initially on the following services: Police, Fire, Emergency Dispatch, Public Health, Public Works, Courts, Construction Code Enforcement, and Animal Control. Examine this question from the perspective of population served, population density, service area, or other measures of service delivery jurisdiction deemed relevant and appropriate in the New Jersey municipal context.

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. Information in the academic literature on consolidation for specific services includes public safety functions, animal control, utilities and public works functions such as road maintenance, solid waste, and parks maintenance.

Evaluate and rank the effect of population density (a pattern of sprawl versus compactness).

The literature did not address the effect of density on the propensity to engage in cooperation.

Evaluate and rank the effect of physical expanse of the municipality.

The literature does not explain the effects of physical expanse.

Evaluate and rank the effect of demographic characteristics of the population (wealth, poverty, age characteristics, education level, demand for services).

Wealthier communities are more likely to engage in consolidated service delivery. Communities with high amounts of poverty, also, are more likely to cooperate.

Evaluate and rank the effect of character of land use (bedroom community versus heavily commercial or industrial tax base).

Suburban communities, which tend to be bedroom communities, show a stronger positive relationship between lower costs of government per capita and the use of contracting (both private and with other governments).
Evaluate and rank the effect of natural features (limitations on development owing to aquifers, steep slopes, and other environmental sensitivities).

*The literature does not discuss these factors.*

Evaluate and rank the effect of age of community and infrastructure (older industrial cities versus newer settlements on the ex-urban fringe).

*To the extent that suburbs fit this definition, they show a stronger positive relationship between lower costs of government per capita and the increased use of contracting (both private and with other governments).*

Evaluate and rank the effect of demands on municipal services and infrastructure (seasonal peaks, bedroom community versus employment hub).

*The literature did not address these specific factors, although it addressed related factors. There is less use of cooperation in large metropolitan areas. Suburban communities show a stronger positive relationship between increased use of cooperation and lower government costs per capita.*

Evaluate and rank the effect of stress on the property tax base (high proportion of tax exempt property, land use restrictions that inhibit ratable growth).

*The literature does not discuss these factors. The literature did indicate general fiscal stress leads to greater cooperation.*

What are the optimal arrangements for delivering the abovementioned services that maximize cost efficiency or achieves other benefits?

*The literature provided no single formula, but identified shared services as successful. Other successful arrangements in specific situations include two-tiered governments, privatization, special districts (particularly if regionalized), centralized services, and varied forms of joint policy making.*

Identify a range of optimal arrangements depending upon municipal characteristics such as any enumerated above.

*The literature does not discuss which service delivery arrangements are optimal in relation to municipal characteristics, although it does relate some of the factors to the likelihood of adopting consolidated services, as discussed above.*
Identify any challenges encountered in attempting to define optimal service delivery arrangements and an analysis of any difficulties encountered.

Challenges are situation specific, but the most common are fear of loss of control and labor issues. The literature that discusses addressing these issues mentions communication and planning as the best devices to overcome such hurdles.

Other variables which would be helpful for commission members to understand in attempting to identify criteria for recommending merging of services/alternative service delivery arrangements to those which currently exist.

The literature on overall municipal consolidation warned that consolidation is only cost-effective if the merged municipality can reduce resources, that is, if it requires fewer employees or less equipment/facilities to deliver equivalent service. The concept of reduced resources is also appropriate for service consolidations, as are concerns about the resulting service quality. It appears that municipalities must address both of these areas of concern as they evaluate specific arrangements, rather than as a universal mechanism to identify potentials for service consolidation.
PURPOSE OF THE REPORT

To meet its overall goals as expressed in the legislation signed into law on March 15, 2007, the Local Unit Alignment, Reorganization, and Consolidation Commission (LUARCC) commissioned a literature review to address the question of whether there are cost or other efficiencies to be gained from the consolidation of municipal service delivery efforts across local government jurisdictions. In the RFP it issued, LUARCC stressed several questions the research should address. The Committee also expressed concern that the review of the literature should take into consideration the population served, population density, expanse of the service area, and other measures of the service delivery jurisdiction relevant and appropriate in the New Jersey municipal context. The Commission asked that the researchers identify optimal arrangements for delivering municipal services that maximize cost efficiency or achieve other benefits. Further, LUARCC requested an analysis of difficulties or challenges encountered in attempts to define optimal service delivery arrangements. The Committee asked to be informed of any additional variables useful in the development of criteria for recommending the merging of services or for recommending alternative service delivery arrangements. LUARCC asked SPAA to seek evidence in the literature of any diseconomies associated with service delivery operations over multiple jurisdictions.

SPAA searched the literature with these guiding questions and directions as a focus. The research team identified the range of optimal service delivery arrangements in light of

- population density
- physical area
- demographics of the population served
- land use characteristics
- natural features
- age of the community and infrastructure
- unusual demands on municipal services and the infrastructure
- stress on the property tax base.

The annotated bibliography that is included in this report is the result of that research. SPAA has synthesized the information in the articles listed in the bibliography and arrived at the conclusions this report presents.

The consolidation of services with other governments can take several forms, and has at least as many terms to describe the arrangements: inter-local agreements, shared services, service transfers, government partnerships, contracts with government, and many other variants. The most popular term is “shared services,” and that is the term used throughout this report. Typically, one entity delivers the services to another. For example, a small township may contract with a larger neighboring town for police services.
The other detail that needs to be resolved is how this literature review differs from the literature review for *Optimal Service Delivery Arrangements and Efficiency*. We have kept those instances of a transfer or consolidation of service to another existing government entity within this report on shared services. In the report on alternative service delivery, we address those arrangements that involve non-government entities, create a new government entity, or shift the full responsibility to a more central government for all the local governments within that central government (essentially, a mandated transfer of responsibility). There is overlap and considerable reason to review the two reports as a body.
REVIEW AND SYNTHESIS OF THE LITERATURE

Government Use of Consolidated Service Options

In 2005, the consulting firm Accenture conducted a survey of 143 senior-level government managers in 13 countries, including the U.S. The research indicated that shared services are a common practice in many states in the U.S., and internationally:

Many governments have started to implement some components of a true shared services operating model, but few have implemented them all; thus, few governments have achieved the full potential of their shared services. While many government organizations have started the journey toward a true shared services model, most still have a ways to go. Beyond lower costs, the focus must be on improved service to customers. (Accenture, 2005)

Another survey conducted closer to home in Broome County, New York, among elected officials, provides more details about the status of utilizing shared services in local governments. The report identifies services and candidates for optimal sharing of services, noting courts, health insurance, parks and recreation, and highways as the best services to target for implementation (Sinclair, 2005). In New Jersey, an edited review of a series of case studies (Holzer et al, 2007) includes some important services the Broome County study ignored, perhaps because the delivery of these services is located at a higher level of government in New York State. Fire, police services, solid waste, public works, parks and recreation, and library services are the focal points for inter-local service agreements in these case studies. The Accenture report adds human resources, property management, legal services, finance, and information technology to the list. A different position is that the most obvious functions for sharing are highly regulated transaction-based processes such as revenue collection and benefit payments (Price Waterhouse Coopers, 2005).

The Broome County report echoes the international survey conducted by Accenture on the extent of service sharing. It finds that while a lot of sharing occurs, particularly in the use of highway equipment, snow removal, parks and recreation, dog control, and fire services, governments produce many services directly. The survey results show that half (21) of the services inquired about were only shared by one or two governments.

The mechanisms by which sharing occurs are mostly informal. The Broome County study surveyed only elected officials, and not staff. One might expect that elected officials would depend on their staff to review and utilize more formal mechanisms. However, based on interviews with municipal staff, the “Division of Local Government Services: Joint Services Assessment Report” (Holzer et al, 2003) came to the same strong conclusion that informal mechanisms lead to cooperation between governments.

Informal networks are particularly effective with capital-intensive services, such as road maintenance, which requires expensive equipment that may be underutilized unless
municipalities share the equipment. Although there are seasonal peaks in road maintenance, it is a scheduled activity, unlike a fire response, so managers of the entities can accomplish the planning between themselves. This happens informally even without agreements on many occasions, because Public Works Directors typically have good relations with their peers. Thurmaier’s work in Kansas on inter-local agreements finds that a majority of cities and counties have at least one such agreement. The research concludes that a “norm of reciprocity” culture exists, creating networks of service sharing (Thurmaier and Wood, 2002).

An additional important fact surfaced in the Broome County study. Broome County’s local government officials expressed interest in exploring additional service sharing. They targeted sixty-six services for further investigation. Officials seem to believe that service sharing is a worthwhile strategy for improving the cost effectiveness of their governments or improving the services that they provide to residents.

**Motivations for Consolidating Service Delivery**

There is no question as to whether there are good reasons for sharing services. It is a regular topic discussed on state websites, and there are many programs to encourage these forms of inter-governmental collaborating.

Economies of scale are a key reason for service sharing in communities all over the world (Foroutan, 1992). Most African countries have already recognized the benefits of regional integration and participate in at least one regional arrangement. In the United States, regional integration helps by consolidating sub-regional markets in order to benefit from economies of scale. For example:

> With shrinking revenues and growing service demands, Michigan communities are joining forces to provide services to their constituents. Joint, or shared, services are agreements between local governments to combine resources to provide a service to their communities. This combination is a cost saving method for municipalities that want to maintain service levels but find that tax laws inhibit their ability to fund them individually. The result is a classic example of economies of scale …. (Davis, 2005)

In the City of Buffalo, a different proposed model of delivering services would reduce the local tax levy by 9 to 13 % (Center for Government Research, 2006). The city would continue to provide core governance, administrative, and other key services, but contract out for services other governments or the private sector could provide.

However, there is consensus in the literature that shared services should go beyond cost savings and focus on improved service to customers. “The primary motivation for the introduction of shared services should not be cost savings but rather improvements in service delivery and quality.” (Spoehr et al, 2007) To extend this further, there are opportunities to not just improve service, but also entirely change the nature of the
service delivered. To develop breakthrough enhancements in service delivery, it is sometimes necessary to justify the cost of acquisition of the tools or infrastructure required for development, such as software or hardware. Shared services, or some other arrangement which spreads the initial costs, can make this investment practical.

The area of Information Technology and E-governance is an example of how shared services could change the nature of the service by centralizing operations. Almost every town in New Jersey has a website. They vary in their quality and effectiveness in serving the public, but they fall far short of the potential suggested by E-governance models. The development of capacities such as E-commerce is expensive and requires technical skills not typically available in small municipalities. The area of records retention, records storage, and disaster recovery is another technologically based service, the development of which is constrained by the limited resources of small municipalities. The necessary communication and network infrastructure, advanced indexing and retrieval software, and storage and back-up facilities require extensive capital investment. A larger entity can make these costly investments in technology because it spreads the costs of the basic tools over a larger population, reducing the initial cost per capita to develop the technology infrastructure for all the municipalities that will benefit from the technology.

To improve business processes in the implementation of shared services, such as with information technology services, the Accenture report recommends outside expertise be used in the planning and implementation of new technologies. This additional cost is practical because the Accenture report focused on larger governments. Smaller local governments could obtain some of the benefits of outside expertise with the support of County Shared Service Offices or government industry associations such as the New Jersey Government Management Information Sciences.

Expertise is important in what might be considered non-technical arenas, such as road maintenance (Deller et al, 1992). “Due to small size and relative isolation, rural governments are inherently limited in developing either effective policy or efficient delivery systems. These structural barriers have prevented many rural public officials from developing the capacity, resources, and expertise needed for managing increasingly complex problems.” The author writes about production consolidation as a viable option where physical consolidation is not. Specifics include cooperative arrangements, state or regional circuit rider programs, jointly hired engineers or cooperative purchasing of equipment.

A study of social care managers showed the managers did not believe the cost savings were the significant benefit (Stephenson, 2008). The study found, “Shared services could help deliver quicker response time and flexibility, standardized services and delivery of new services.” Interestingly, the managers, who did not view the cost savings as substantial, felt that the savings from sharing services would not exceed 11% — still an attractive number to many.

The problems of inefficiency in local governments can have several solutions. The International City/County Management Association (ICMA) routinely studies what
solutions municipalities implement, including restructuring. Inter-municipal cooperation was the most common form of restructuring (55 percent of all reported restructuring cases since 1990). Privatization was next most common at 28 percent, followed by reverse privatization at 7 percent and governmental entrepreneurship at 6 percent. Cessation of service (4 percent) was the least common restructuring alternative (Warner and Hebdon, 2001). Mutual aid agreements represent the simplest and most common form of cooperation. Joint production of a service was the next most common, followed by contracting with another government. Formation of special districts was rare.

As opposed to using private contracting, “contracting governments turn to other governments as vendors for services that risk contract failure.” (Brown, 2008) Monitoring and oversight can also be provided at a lower cost than what is required to monitor an outside (non-governmental) contractor, but the cost saving benefits of contracting still accrue because of economies of scale.

Indianapolis accomplished broad service transfers with the implementation of UniGov (Rosentraub, 2000). UniGov includes a consolidated city-county government, 4 independent cities, and more than 50 other units of local government. This city-county consolidation program concentrated a limited or select group of urban services at the regional (defined as county) level while permitting most other critical urban services to be delivered by administrations and agencies serving different, often much smaller, areas within the county. Structurally, UniGov is a multilayered local government system under which authority for economic development, public works, parks, transportation, and some elements of public safety is transferred to the county (or regional) level—the first layer in a multi-tiered structure. The consolidated government is the final authority for land use and economic development programs for the entire county.

The report “Optimal Service Delivery Arrangements and Efficiency” discusses more fully the choice of optimal arrangements for service delivery. The reader should consult it for more discussion of other alternatives.

Factors Associated with Consolidation of Services

The ICMA also provides insight into what conditions lead to adopting shared services (and private contracting) as a solution to the problems of efficient service delivery (Warner and Hefetz, 2002b):

- Governments using higher levels of cooperation and privatization show lower average per capita expenditures. Moreover, the efficiency effect is greatest for suburbs.
- Both cooperation and privatization are higher among higher-income municipalities. Whereas cooperation is favored by higher-poverty municipalities as well, privatization is not.
- Municipalities with council-manager forms of government were more likely to pursue higher levels of privatization in 1992, but less likely to
pursue privatization in 1997 and more likely to pursue cooperation. Professional management is not significantly related to cooperation. 
- Larger metropolitan places are less likely to engage in cooperation. They have the least to gain from economies of scale.

In a report conducted in the previous year, Warner and Hebdon came to a different conclusion: “Population size has a significant impact on local government restructuring including inter-municipal cooperation and privatization -- larger townships and counties were more likely to restructure.” (Warner and Hebdon, 2001) Jeong also used the ICMA data and concluded that population size does not explain the choice of joint production (although the focus was on contracting out). Joint production was also encouraged by a reformed county political structure (specifically elected county executives, who may not be termed “reform” in all local governments) and robust financial resources (Jeong, 2006).

Cooperation in road improvements and construction is more likely when there are high per capita property taxes, or when there is a greater reliance on inter-governmental revenues. However, cooperation in lower cost activities like traffic signs, signals, and street light maintenance was not related to per capita property taxes. The wealthiest communities cooperate more, except on roads. Populous and high growth governments cooperate more on roads. Cooperation is more likely in a service area to which a large portion of the budget is devoted. (Leroux and Carr, 2007)

In two situations, the development of a regional asset by an outside organization led to sharing. The Nature Conservancy developed the Greater Hanover Recreation Park, but three boroughs own and maintain it (Luzerne County, 2005). In addition, two cities in Massachusetts benefited from a fire station built by a developer as part of an agreement between the parties (Conti, 2008). In a similar vein, the Mayor of Pittsburgh made an unusual offer to provide services such as trash-hauling, animal control, building inspection, computer, ambulance, firefighting, personnel, police and public works, and bulk purchasing to the suburbs (Allen, 2008).

The Somerset County Business Partnership made recommendations to the state (Somerset County Municipal Managers Association, 2006) that represent their proposed solutions to the barriers they perceive. Many of these are requests for state incentives, such as:

- for municipalities to continue existing programs, for implementation as well as, or in place of, feasibility studies that may waste money
- for host municipalities to create new shared services
- for seeking out privatization (which can be the ultimate result of a shared venture), and
- for organized groups with a proven track record of facilitating shared services

The Partnership mentioned two other hurdles to sharing: health care costs and a lack of support for employees displaced by the sharing arrangement.
The concern of trade unions in Scotland turned the displaced worker issue into a green argument. They see increased centralization of jobs draining them from more remote communities, which runs counter to the idea of being more environmentally-conscious by maintaining shorter commutes. (MacMahon, 2008)

In Massachusetts, barriers in the state law prevent municipalities from pursuing regional agreements conveniently — a problem that has hampered some communities’ efforts to regionalize services. A proposed legislative package would allow communities to enter partnerships without having to engage in renegotiations with union groups, thus removing a significant barrier (Gunderson, 2008). This author also mentions that local barriers to the plans to create a regional public-safety dispatch system for Maynard and Stow (Massachusetts) failed in the early 1990’s. Towns could not agree on the specifics of a shared dispatch center, such as where the center would be located and how much actual savings would be realized. There was also a fear of losing personalized services, a common barrier to implementation of shared services.

The Pioneer Institute for Public Policy Research noted that a 1993 attempt to combine fire and police dispatch services in 13 western suburbs failed, because “town and public safety officials didn't feel right handing over control of a system that is at the heart of local government. They also got flak from police and fire unions.” (Bolton, 2008) The study noted that dispatch duty was a safety net for older or injured police officers and firefighters. The consultant estimated the collaboration would have saved each community millions over ten years.

Morton, et al (2008) raised the same argument of loss of local control in Iowa. “Citizens seem to prefer their local government directly providing police services rather than entering into inter-local agreements.” The authors cast this as not meeting public infrastructure expectations and state further: “We find that civic structure—citizen engagement in solving public problems—is positively and strongly associated with perceived quality of small town public services.”

The Australian Institute for Social Research notes barriers in addition to those associated with unions and employees (Spoehr et al, 2007). The complexity of a shared service agreement can create high costs for the research and development of a business case supporting it. The authors couple this with a fear that a hasty implementation of an inappropriate model might dissipate the accumulation of the human capital assets of corporate knowledge and skills.

Planning and preparing for the implementation of shared services can help overcome or mitigate the hurdles. A case study from the United Kingdom recommends a thorough examination of the business case and a comprehensive communication program from the earliest stages of implementation (Claps, 2008a). This may be appropriate for a very complex agreement or in order to re-engineer a process perceived to be inadequate to deliver services efficiently. It also shows that the costs of feasibility studies can be high, as Spoehr suggested above.
States have been creating programs to encourage shared services. New Jersey has programs to support shared services, including grants and a website full of information to help municipalities who want to enter into shared service agreements. New York State municipalities anticipate $245 million in savings over five years from an investment of not quite $30 million in local government efficiency (Cortes-Vazquez, 2008). The investment was in the form of grants to municipalities beginning in 2005. The New York State Department of State has increased its technical assistance and outreach capacity, has formed a partnership with the Albany Law School to augment its efficiency assistance and research capacity, and has formed a new Office of Coastal, Local Government, and Community Sustainability to deliver services to modernize local governments.

The Southeast Michigan Council of Governments (SEMCOG) is a strong supporter of joint services (Davis, 2005). They have a detailed database with examples of success stories from the region. They recognize that there are concerns when entering such agreements, and have published pamphlets to aid local officials in the transition. In addition, they have recognized joint service programs and administrators with awards since 1998. They have also created a series of reports in conjunction with the Metropolitan Affairs Council (MAC) to assist communities with the creation of intergovernmental services.

In a chapter of the 2007 edition of The Book of the States, the editors “… recommend that in an effort to effectively encourage the development and implementation of shared services, states should: (1) provide financial support or incentives; (2) collect and disseminate concrete information regarding the benefits of shared service initiatives; (3) establish shared service performance measures; (4) develop a central point of information to field questions from communities who are in the process of developing, implementing, or sustaining shared services; and (5) work to ensure that the long-term interests of the taxpayers are paramount.” (Holzer et al, 2007)

**Stated Benefits of Service Consolidation**

The literature is full of examples of estimates of projected savings prior to implementation of a shared service, as well as savings the authors state resulted from the implementation of the service arrangement. However, studies such as a report commissioned by the Division of Local Government Services several years ago found that: “Concrete information about the benefit realized was seldom produced. The most common perception was that some savings has occurred, but that the larger benefit was in service to the community.” (Holzer et al, 2003) A report commissioned by the Public Service Association of South Australia to identify some of the key lessons from shared service arrangements in Britain and Australia (Spoehr et al, 2007) cast doubt on the credibility of the numbers that are produced:

- While cost savings can be achieved, projected savings targets are rarely met.
- The benefits of shared services are often overestimated.
• The costs of shared services are often underestimated because implicit costs and externalities are often not measured.

The benefits of service consolidation suggested in the literature are substantial:

• A study showed savings of over $64,000 a year would be realized for each community in an inter-municipal group in Niagara County (New York) and an additional $90,000 to $162,000 for the group if cost reduction strategies were followed in 12 areas of expense (Center for Government Research, 2006).

• The Shared Services Savings Report documented $13,695,962 in savings to Somerset County (New Jersey) taxpayers because of local shared services initiatives by the municipalities, the schools and the county (Somerset County Municipal Managers Association, 2006).

• Merging the Village of Angola and Town of Evans police departments in New York State could achieve annual savings of $140,000 (Center for Government Research, 2006).

• The elimination of the court and police department in Audubon Park (New Jersey) will save $500,000 in the next five years, with Audubon providing the services for an additional $300,000 in revenue, net the costs of providing the service (Colimore, 2005).

• In North Redington Beach (Florida) the cost of law enforcement, now provided by the Pinellas County Sheriff's Office, is nearly $100,000 less than was paid previously for the town's police department (Estrada, 1999a).

• When the county assumes the policing responsibilities, Bellair Beach (Florida) will save about $250,000 annually (Estrada, 2007).

• The annual savings in the first fiscal year for the City of Inverness (Florida) to hire the County Sheriff’s Office to provide police services would be $108,206, but the start up costs would be $6,523 more than keeping its police department (Gonzales, 2004).

• Kenneth City (Florida) would save a half a million dollars a year if the county sheriff took over policing duties (Lindberg, 1999).

• The town of Evans (New York) agreed to create a dedicated policing zone with the Village of Angola, eliminating $350,000 from the Village’s annual budget (Cortes-Vazquez, 2008).

• Creating the West Side Police Department (Pennsylvania) will save about $73,000 in each of three communities every year and allows them to strengthen police presence during busy times (Luzerne County, 2005).

• Combining three part-time police departments in Massachusetts will not lead to cost reductions in the first few years, but might do so over a longer period, and it would provide better police service (Appleton, 2008).
Police departments in Wrentham, Norfolk, Plainville, Franklin, and North Attleborough (Massachusetts) have been working the kinks out of a wireless data-sharing network. The effort is an attempt to improve police services in the communities. By linking databases, the communities hope to retain a law-enforcement edge (Bolton, 2008).

Fire service from the Indian Rocks Fire District (Florida) will cost the town nearly $90,000 less than in previous years. Combined with the savings for eliminating the Police Department, there will be a 25% reduction in taxes (Estrada, 1999b).

Closing Fire Station 28 (Florida) could save taxpayers $1.2 million without affecting the quality of service (Lindberg, 2008).

A consultant reported that consolidating the county and city fire departments in Pinellas County (Florida) would save an estimated $10 - $15 million a year (El-Khoury, 2005).

Officials expect to save $5 million in operating and equipment costs annually, since five towns joined in the North Hudson Regional Fire and Rescue Department (New Jersey). The number of firefighters will decrease from 332 to 307 through attrition (Smothers, 1999).

Although there was debate about the cost savings and quality of service, the consolidation of the Spring Hill (Florida) and county fire rescue districts could improve service. Two of the fire stations that sit next to the border of the Spring Hill Fire District could provide services in addition to those for life threatening situations, which are the only situations currently covered by mutual aid (King, 2004).

Combining the volunteer fire companies in Butler Township and Conyngham Borough (Pennsylvania) into the Valley Regional Volunteer Fire Company allowed them to pursue purchasing a new ladder truck, which was impossible before the merger (Luzerne County, 2005).

The City of Brooksville (Florida) will save $195,564 per year by having the sheriff take over the dispatching of 911 emergency calls (Neill, 2007).

Burlington County (New Jersey) projected $100,000 savings per year as the result of cooperative purchasing of electricity, if the 40 towns and other governments in the county participated in the bulk purchase program (Bewley, 2003).

When unsafe and inadequate water supplies necessitated creating a new water district, the Town of Cape Vincent (New York) formed a partnership with the Village, avoiding the $1 million cost for constructing a second water tank, and reduced the annual cost per household by $200 (Cortes-Vazquez, 2008).

The reader should note that most of these savings claims are not audited and many are projected. The academic literature bemoans the lack of concrete data. Unfortunately,
unaudited claims of savings are the best information available. They are consistent with the belief that cooperation promotes savings, but the amount of the savings cannot be confirmed or relied upon.
COMMENTS ON THE LITERATURE

The academic literature has some empirical basis for evaluating shared service studies. There is little debate about whether sharing services promotes efficiency in local government; the consensus is that it does. The literature certainly far more consistently supports service consolidation than it does formal consolidation. Despite many cost estimates and statements as to cost reductions and quality improvements achieved, the quality of this data is mixed. There is a great amount of variance in the savings estimates, far more than would be accounted for by a proportional relationship to population size or budget size. The literature on measuring efficiency provides possible reasons for apparent inconsistencies – varied accounting practices and the inclusion of different budget lines from one government to another. However, gathering more accurate or precise data will not change the overall conclusions of practitioners, consultants, or academics -- who uniformly perceive shared services as effective in promoting efficiency.

Because of the informal nature of many cooperative agreements, and the informality of how they are developed, both the academic literature and government information sources probably underestimate the amount of cooperation. These sources may not count long-standing relationships as inter-governmental agreements and may not consider certain forms of sharing as shared service agreements (for example, in New Jersey, mutual aid is not generally included as a shared service).
CONCLUSIONS

The literature supports the assumption that inter-governmental cooperation can provide cost and quality efficiencies. In addition to discussing the benefits of shared services and other forms of cooperation, the literature provides insights into how to increase the amount of service delivery consolidation:

- **Quality Improvements**
  
  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. Sharing seldom reduces quality of the service, and often sharing improves quality. Quality issues are the sole motivation for some arrangements.

- **Providing High Cost Service Improvements**
  
  There are functional service areas, such as information technology, in which local government has made only limited investments. Traditionally, this is because the government perceives the costs to be unpalatable to the citizenry. Service sharing offers the potential for quality improvement in areas such as this, without incurring the skepticism of the public about expensive investments.

- **Case-by-Case Resolution of Obstacles**
  
  Although there are hurdles to implementation of shared services, they are situation-specific, and should be assessed and resolved in forming an agreement. There are a great many successful shared service arrangements. Even the concern with loss of local control or local delivery of the service is an infrequently mentioned obstacle in the literature.

- **Public Safety Services**
  
  Reports from around the country indicate a reduction in public safety costs is possible. The transfer of police, fire, and dispatch services to other units of government are common potential efficiencies cited in the literature. Police and fire are difficult services to consolidate, because of the public’s concerns with safety (in terms of response times) and organized labor’s concerns with employment security.

- **State Encouragement**
  
  Evidence shows that governments want to do more service sharing than they actually accomplish. States are trying to encourage collaboration through grant and education programs. Some have tried to launch more of an outreach
program, and others have tried to create databases of needs to meet through sharing.

- **Need for Focus**

Successful shared services require planning. Probably the greatest obstacle to doing what everybody seems to want – shared services that result in economies – is not spending the time and detailed effort to focus on it. The fact that most sharing arrangements come from informal networks and contacts is testimony to the fact governments do not spend enough time thinking about how to be efficient. They need to be encouraged to invest time and resources to do so.

- **Incentives to Productive Organizations**

Grants, such as New Jersey made available to develop county offices dedicated to promoting shared services, create incentives and the focus to evaluate more cost-effective strategies. These state grants to counties are a good step in the direction suggested by the Somerset County Business Partnership’s proposal to fund effective sharing organizations in order to continue their successful work.

- **Positive Effects of Fiscal Stress**

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

Finding the right level of government to deliver a service is an important concern of LUARCC. In addition to the consolidation of services discussed in this report, the report *Literature Review and Analysis Related to Optimal Service Delivery Arrangements and Efficiency* discusses some other mechanisms to move service delivery to the appropriate government, including centralized government, special districts, and regional delivery structures.
APPENDIX A -- ANNOTATED BIBLIOGRAPHY

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

Accenture (2005). "The Government Executive Series--Driving High Performance in Government: Maximizing the Value of Public-Sector Shared Services," 1 - 40. This report was prepared by Accenture and describes key findings when a study was commissioned to see how well shared services had worked. With the new study, Accenture sought to identify the drivers, challenges, benefits and critical success factors for shared services initiatives in government. This study, managed by Accenture’s in-house research arm, Accenture Research, surveyed 143 senior executives at all levels of government in a selection of agencies across 13 countries.

Allen, S. (2008). Suburbs Split on Shared Services; City as Hired Help Gets Mixed Reviews. Pittsburgh Post-Gazette. Pittsburgh: 1. Pittsburgh Mayor offered the city's services at bargain rates to its neighbors in the suburbs. While some municipalities place an absolute priority on autonomy and have no desire to deal with Pittsburgh, others are eager to negotiate shared services with the city in any cost-effective agreement. Services offered included trash-hauling, animal control, building inspection, computer, ambulance, firefighting, personnel, police and public works. Bulk purchasing on goods and supplies and even electricity, and the sale of city water were offered.

Andrew, S. A. (2006). Institutional Ties, Interlocal Contractual Arrangements, and the Dynamic of Metropolitan Governance. Askew School of Public Administration and Policy. Tallahassee, Florida State University: 1 - 247. This dissertation examines the dynamic of metropolitan governance in terms of inter-local contractual arrangements that govern the delivery of collective goods by local government. The author classified them into two general forms: restrictive and adaptive contractual arrangements. The empirical results show that vertical intergovernmental relations involving municipal and county governments generally employed a restrictive rather than adaptive form of interlocal contracting. Functional service area and the number of collaborators involved also play an important role in explaining a local government’s decisions to enter into particular forms of interlocal contractual arrangements. The study then focused on the adaptive and restrictive forms of contractual arrangements as distinctive action arenas in the provision of public safety.
   A newspaper article discusses the effort of three small towns around Brimfield, Massachusetts to provide police services in a shared arrangement. The elected officials, after a preliminary meeting with the three chiefs requested a detailed analysis of the feasibility of replacing the current part-time service augmented by the state police. One chief felt there might be long-term savings, but an immediate improvement in service quality was possible.

Avril, T. (2000). Towns Find They Can Get as Good as They Give by Sharing Services and thereby Saving Money. 130 communities are being rewarded by the state. The real payoff is to taxpayers. The Philadelphia Inquirer: B01 - B02.
   This article covers service sharing in Mantua, New Jersey, which garnered property tax credits from the State of New Jersey Department of Community Affairs program to promote shared services. This particular sharing was between school systems for transportation services. The article states the savings from the tax credit alone will amount to about $104 per average household.

   This newspaper article from Burlington County, New Jersey discusses the rationale behind the county’s attempts to bulk purchase electricity for its constituent municipalities. It reports on the progress of this effort and the estimate of savings if the energy is purchased under a county bid.

   Cooperation of neighboring local authorities in the provision of regional public goods can be efficiency enhancing due to economies of scale, a better realization of fiscal equivalence or dynamic efficiency gains. While the need for such cooperation between local authorities is undisputed, there are different positions concerning the form the cooperation should take. Some argue that local authority mergers are the most efficient and democratic strategy. Others argue that functional cooperation is more appropriate and that mergers reduce the welfare enhancing effects of competition between local authorities.

   This news article discusses shared services in Boston, especially police services. This article uses a report that had been released recently on regionalization as a backdrop for the discussion of a new data-sharing
system among five towns. The report investigated past failed attempts at
regionalization and a successful consolidated 9-1-1 county dispatch
system.


Considering the high tax burden in Westchester County, New York, this
article reports on the insights of various town managers and county and
state officials about cutting costs. They cited better technology used
throughout the county and shared services as ways of reducing costs.
Dissolving governments, even in New York State that has so many
governments, was not seen as politically feasible. The article discusses
the evaluation of shared police services between the Town of Greenburgh
and the Village of Dobbs Ferry. A similar attempt had failed between
Dobbs Ferry and the Village of Irvington because Irvington feared losing
community police coverage and felt the benefits would not outweigh the
effort.


This paper explores the dynamics of government-to-government
contracting at the local level in order to examine how governments' shared
organizational characteristics, notably a governance structure based on
political accountability, potentially make them more attractive vendors for
services that risk contract failure. Relying on panel data from the 1992 and
1997 International City/County Management Association's (ICMA)
Alternative Service Delivery surveys along with data from the U.S. Census
and other sources, this paper identifies service areas in which
governments most frequently turn to government vendors. In particular, a
comparison of public works and transportation services - service areas
with low risks of opportunism leading to contract failure - and health and
human services - a service area with high risks of opportunism leading to
contract failure - shows that contracting governments are more likely to
utilize governments over private firms and non-profits for high-risk
services. This is not the case for low-risk services, suggesting that
governments view other governments as trusted contract vendors.

Shared Services in Government. Competition, choice, and incentives series.

The report outlines shared services initiatives by state and local
governments, noting NJ's reforms, including SHARE, COUNT and the
creation of a permanent commission on Shared Services. The authors
also conducted a worldwide survey on governmental shared services and
report on 18 findings.
Camden County Improvement Authority - Brownfields and Redevelopment Center (2003). Black Horse Pike Strategic Plan Shared Municipal Services Survey-Draft Narrative. Camden County, NJ, Camden County Improvement Authority, Brownfields and Redevelopment Center: 1-10.
This is a report of the Camden County Improvement Authority on the results of a survey identifying the services that each municipality performs, does not perform or contracts to another municipality or consultant. The survey focused on the municipalities in the Black Horse Pike Strategic Plan area.

This government consulting firm reviews some of their experience with municipalities in New York State regarding shared services in various counties. The review includes developing a two-tiered government approach involving private contracting, consolidation of fire and police services, and other agreements brokered between counties and cities. The article discusses various service types in different size entities.

This chapter of the community plan is devoted to the various shared services utilized by the city of Anoka in Minnesota. This chapter details well over 100 different services that are done cooperatively with other organizations, including the county, other municipalities, the schools, and non-profit organizations. The services shared include the full range of city services including administration, public safety, community development, parks and recreation, and utilities.

This article is a case study set in U.K. regarding shared services and partnerships when three local U.K. councils came together to reduce cost and share services. Taxes and revenue sharing are discussed as well as the intricacies of U.K. partnerships. Different stages of the partnering are discussed as well as the success factors and lessons learned.

This newspaper article reviews several efforts in Camden County, New Jersey to save money through shared services. The article projects savings for some of these efforts and discusses other plans for sharing services. It describes the statements of the Department of Community Affairs about the SHARE grant program.

This article speaks about the work a law firm has conducted on social services in England. The authors interviewed managers in England regarding social services shared among municipalities and counties. Managers did not feel that overall social services saved them that much money, but they were pleased with the quality of service that resulted.


This newspaper article reviews the controversy surrounding a fire station built by a developer to provide service to its new large housing development. In particular, several groups have raised issues of how response will be affected. The Towns of Revere and Malden will share the station.


This NY Department of State press release speaks about a shared services report that was compiled very recently. New York created a shared services grant in 2005 for municipalities to partner with each other to share costs through difficult economic times. The highlight of the report claims that $245 million in projected savings could be realized through local government partnership and cooperation. Progress in each of the shared service areas has been analyzed and examined.


This 1970 report was referenced in the LUARCC project reports to provide evidence of the on-going nature of the interest in shared services and the efficiency of local government.


With shrinking revenues and growing service demands, Michigan communities are joining forces to provide services to their constituents. Joint, or shared, services are agreements between local governments to combine resources to provide a service to their communities. This combination is a cost saving method for municipalities that want to maintain service levels but find that tax laws inhibit their ability to fund them individually. The result is a classic example of economies of scale, providing a community with increased general fund flexibility and
improvements to quality of life that contributes to the supply side of economic development. Stable general funds will allow communities to finance capital improvement projects and offer incentives to potential firms, while offering services that will attract residents that build the tax base and provide employees to those potential firms.


The research reported here examines the ability of a sample of Midwest township officials to produce low-volume rural road services in an economically efficient manner. Farrell-type measures of input use and scale efficiency are reported. Results suggest that over 50% of costs may be unnecessarily incurred because of input use inefficiency. Correlation between output measures and the efficiency measures suggests that larger jurisdictions are more efficient than smaller jurisdictions. In addition, 84.5% of the townships exhibit technology characterized by increasing returns to scale. These results suggest that jurisdictional consolidation of production-related responsibilities may yield substantial cost savings.


Structural limitation and narrow managerial capacity have consistently hampered both an effective and efficient decision-making process in small rural governments. Due to small size and relative isolation, rural governments are inherently limited in developing either effective policy or efficient delivery systems. These structural barriers have prevented many rural public officials from developing the capacity, resources, and expertise needed for managing increasingly complex problems. This article provides a brief review of the performance measurement literature and suggests an alternative approach to assessing the efficiency of producing local public services. The proposed method seeks to incorporate microeconomic theory into the measurement process. The case of producing low-volume rural road services in the Midwest is examined to illustrate the method. The data used to study managerial efficiency in the production of rural road services were gathered from a mail survey of Illinois, Minnesota and Wisconsin township road officials and the 1982 Census of government. The sample contains 435 independent observations of Midwestern townships.


Broad consensus exists in Australian policy circles on the need to enhance the efficiency of local government. However, the question of the
most appropriate model for local governance remains controversial. Quite apart from larger amalgamated municipalities, a range of promising alternative options can be identified that may be able to effectively combine more efficient service delivery with vibrant local democracy.


This article presents the results of a detailed study of potential cost savings from consolidation of New York school districts. It extends past research on consolidation by developing a theoretical framework which distinguishes several dimensions of economies of scale and defines an empirical cost function for schooling. While findings apply directly to New York, the method developed here has general relevance to state education policy by helping to target candidate school districts for consolidation, and, where consolidation is not feasible, adjusting state aid formulae to reflect more accurately the cost impacts of scale.


This newspaper article presents some cost savings estimates from a study by MGT of America evaluating the consolidation of county and city fire departments in Pinellas County, Florida. This report was presented to the County's Charter Review Commission. MGT recommended that the county form a single fire district.

Estrada, S. M. (1999a). Audit Finds Finances in Good Shape. *St. Petersburg Times*

This newspaper article reports on the presentation of the annual audit in North Redington Beach, Florida. The audit showed $100,000 in savings for eliminating the police department, but it appeared eliminating the fire department did not represent a cost savings, since the cost of using the Indian Rocks Fire District is about the same. In the next year, this cost will be removed from the town budget and will be billed directly to the resident through the county tax bill.


This article discusses how the Mayor and Commission in North Redington Beach, Florida determined to set the tax rate in light of cost savings that would be realized from sharing fire services with the Indian Rocks Fire District and eliminating the police department because the Sheriff's Office is providing police services. The Mayor and Commissioners argued over whether the savings should be used to offset taxes or offset increased expenses for other purposes.
Estrada, S. M. (2007). City close to a deal with the sheriff. St. Petersburg Times
This newspaper article discusses the deliberations on police services that will occur at the upcoming Belleair Beach, Florida city council meeting. The city has received proposals to provide policing from the County Sheriff's Office and from Belleair, but the Sheriff's arrangements were described as more attractive. The Sheriff has offered to waive start-up costs in exchange for some of the existing equipment owned by Belleair Beach and has agreed to hire any officer now serving and in good standing at Belleair Beach.

This paper tests for scale economies for police departments operating in Los Angeles County. Inter-governmental sharing in providing police services prevails within the county, suggesting that scale economies exist in producing this public good. Empirical analysis here rejects the hypothesis that police output is produced under increasing returns, which would be an efficiency explanation for the large degree of consolidation found within the county.

The emphasis of regional integration in Sub-Saharan Africa should shift from the integration of goods markets to the regional coordination of macroeconomic and microeconomic policies, the harmonization of administrative rules and regulations, and the joint provision of public goods. Such steps are likely to make Sub-Saharan African markets more attractive to domestic and foreign investors and to improve economic growth. Still, this paper provided no concrete evidence supporting potential benefits from regional integrations.

This newspaper article explains the controversy over a proposed shared service agreement in which Linden would provide fire services for Roselle in New Jersey. The controversy arose because the Mayor of Roselle had not discussed his proposal with any of the council prior to their public council meeting. The Mayor had discussed applying for a New Jersey State Department of Community Affairs SHARE grant with the Mayor of Linden to study the shared agreement.
The news article reports the results of a city council vote in Inverness, Florida to dissolve the police department. The vote was not unanimous with some council members contending it was too emotional an issue to act on at this time. Concerns were addressed about response times, since the Inverness response had traditionally been quicker than the Sheriff’s Office, which will now assume responsibility. Inverness would now enjoy the higher standards and additional capacity and expertise in the Sheriff’s Office. The Sheriff’s Office considered the following factors in developing the plan accepted by the Council: loss of local control and police identity, the future of Police Department employees, level of service and cost.

This article examines how Iowa has addressed the concern that it has more government than it now needs. Iowa has 3,000 cities and towns, 99 counties as well as special districts. The Governor proposed to replace all local governments with 15 regional governments. With a stagnant tax base, Iowa has few options. The Governor's proposal was met with resistance, but, on a positive note, Iowa municipalities are working more together. "For local officials, saving a lot of money right away isn't as great a concern as doing things more efficiently when they can, whether that means streamlining internally or reaching out to new partners."

The news article reports on a conference in Worcester, Massachusetts on regionalizing government. The conference, sponsored by the Massachusetts Municipal Association and Northeastern University, had 200 attendees. The article presents the differing perspectives of some of the local government officials in attendance. The President of the association remarks on some legislative impediments to regionalization and cooperation.

This report was commissioned by the Division of Local Government Services to conduct a study of shared service programs among New Jersey's 566 municipalities. The purpose was to find best practice models and relate experiences through the documentation of case studies. A telephone survey was conducted for 27 case studies of shared services in municipalities throughout the state of New Jersey. The survey of managers in each of the municipalities attempted to assess cost savings or other benefits that occurred because of the cooperative agreement.

State governments are examining the prospect of inter-local shared service initiatives as a means of reducing service delivery costs and providing tax relief, as well as streamlining local services, eliminating duplicative services, and enhancing governmental responsiveness and transparency. This article provides an introduction to the possible array of shared services; highlights best practices; discusses state funding mechanisms designed to encourage shared service agreements; and provides recommendations to state and local government leaders seeking to develop, implement, or improve existing shared service programs.


The question of who should provide public services has continued to gain attention among scholars and practitioners. By focusing on the ‘make’ or ‘buy’ decision, most studies are conspicuous in their lack of addressing joint production, especially at the county level. This paper fills the research lacuna by incorporating institutional theory of local governance and government capacity. Using the 2002 ICMA Survey on Local Governments’ Alternative Service Delivery, this paper examines what factors determine the adoption of joint production of public services at the county level. Probit analysis is employed to estimate county choice of joint production in 2002. Overall, the preliminary analysis suggests that the reformed counties increase the likelihood of joint production adoptions. The findings also suggest that government capacity has a modest influence on joint production.


Local governments in Monroe County are caught in the convergence of several trends that are producing current and projected multi-million dollar budget deficits in the two largest governments - the city and the county - and have strained town, village and school district budgets as well. These trends are (1) the rising cost of government at all levels; (2) a stagnating local economy; and (3) high local taxes. The primary objective of this report was “To inform and update the public about opportunities to make government more effective and efficient through cooperation, collaboration, and/or consolidation.”


This news article discusses the debate in Spring Hill, Florida over the consolidation of the fire and rescue service into the operation of Hernando County. The costs will go up for those with less valuable properties, but
down for those who own more valuable properties, because the county rate is a flat fee, not a rate based on the property valuation. The debate also centers around the differences in the operations of the the county and the Spring Hill services.

LeRoux, K., and Jered B. Carr (2007). "Explaining Local Government Cooperation on Public Works: Evidence from Michigan." Public Works Management & Policy 12(1): 344-358. In recent years, analysts have begun to study cooperation on public services among local governments. These studies often have concluded that services with scale economies are likely candidates for shared service delivery. This article contributes to the emerging literature on this topic by examining inter-local service arrangements for 10 public works services in Michigan. The authors use data on the service delivery arrangements from 468 general-purpose local governments in Michigan to examine the role played by the factors in explaining inter-local cooperation on public works.

This news article reports that the Kenneth City council will discuss disbanding its police department at the council meeting. The city would contract with the Pinellas County Sheriff's Office for policing services. The start-up costs would be offset to some degree by equipment that would be turned over to the county and all qualified Kenneth City officers would be hired by the county. The decision not to renew the contract of the Kenneth City police chief started the discussions of other options.

This news article reviews the deliberations of the Pinellas County Commission in Florida to close a fire station as a cost saving measure. There has been a concern for some time about the duplication caused by two similar stations that serve adjacent areas and have a low volume of calls. The boundaries of fire districts would be re-aligned. The writer interviewed fire officials from the effected fire stations, officials from neighboring districts and county officials to present different perspectives in the controversy.

This newsletter speaks about the various shared services initiatives throughout Luzerne County in Pennsylvania and speaks specifically about the police departments initiatives. Shared services success stories such as the police department and recreation parks are also explored and expanded upon. The newsletter describes the fire department’s initiatives with shared services.
This news article reports that trade unions have publicly warned the Scottish government that shared services may not deliver the cost savings that are expected. The unions also expressed concerns about the centralization of jobs, draining them from remote communities, and the use of larger suppliers for goods, reducing the need for local businesses by the Scottish government.

Onondaga County in New York State investigated: 1) the experiences of municipalities around the country in their successful attempts at intergovernmental consolidation and cooperation, 2) data on expenditure and dedicated personnel by municipality in Onondaga County, 3) assessment of applicability of efforts in other parts of the country to Onondaga County, and 4) functional areas in the 36 municipal governments in the county that may lend themselves to cooperation and/or consolidation. This article summarizes what has been happening in Onondaga County, New York with regards to many types of municipal reform efforts including shared services and consolidation.

This news article reviews the presentation of a voluntary audit of Washington Township, New Jersey conducted by the New Jersey Department of Treasury. The audit identified some savings that would be possible by consolidating services at the county level. It also recommends contracting buildings and grounds maintenance services.

Local governments are responsible for financing and providing an array of public services ranging from police, fire, and emergency medical services to streets, parks, and water. Two mechanisms, namely civic structure and interlocal collaboration, have the potential to solve the problem of providing high quality public services in the face of declining resources and increasing needs. The authors find that civic structure - citizen engagement in solving public problems - is positively and strongly associated with perceived quality of small town public services. Although many rural towns show significant positive association with citizen ratings of overall service quality, citizens seem to prefer their local government directly providing police services rather than entering into interlocal
agreements. This suggests that many services are better provided directly.

Mower, J. (2003). City-County Consolidation and Other Regional Approaches to Reorganizing Local Government: Lessons Learned from Examples and Experts. This memo, an informal but comprehensive document prepared for the City of Syracuse, includes a selection of lists, charts, and excerpts from research conducted related to municipal mergers in varying metropolitan statistical areas (MSAs). The author summarizes the latest city-county merger of Louisville, Kentucky and summarizes case studies from several other MSAs. Substantive lists of the “easiest” and “hardest” methods of providing shared services are included, and reasons for failure or success of municipal mergers are noted.

Neill, L. (2007). Sheriff's Office Taking over Dispatching Duties. St. Petersburg Times. This article reports on the Hernando County, Florida, Sheriff Office taking over the 9-1-1 dispatching for Brookville. Brooksville City Council instructed the City Manager to work out the details of the contract with the Sheriff's Office, but it is estimated to save over $195,000 annually. The Council favored keeping the savings in the City's reserve account rather than reducing taxes because of financial uncertainty.

New York Department of State (2007). Shared Municipal Services Grants Awarded. US Fed News. This New York State 2008 Shared Services Annual Report, summarizing the implementation of the first three years (2005 - 2007) of the Shared Services program at the Department of State. This program consists of both technical and financial assistance to New York’s municipalities. One component of this program has been the Shared Municipal Services Incentive (SMSI) grant program. SMSI provides incentive grants in five funding areas: shared municipal services, shared highway service, county-side shared service, local health insurance, and local consolidation. Of the $25 million for the year's program, $10 million is dedicated to 25% increases in aid for municipalities that consolidate.

Price Waterhouse Coopers (2005). Shared Services for Even Greater Efficiency in Local Government. The paper provides an overview of the challenges that have prevented local authorities from delivering on the shared services agenda in the past; details the benefits the shared services model is able to deliver; and provides a guide to overcoming the barriers preventing this model from being more widely adopted in local government. At present authorities are tinkering at the edges. The authors believe a bolder approach is required to tackle the real barriers preventing authorities from succeeding.

This article describes the successful UniGov program, uniting the city of Indianapolis and Marion County in central Indiana and outlines "lessons learned" for other communities considering such a consolidation effort. Through this consolidation, the city of Indianapolis was transformed from what was described by its chamber of commerce in the 1970s as "a cemetery with lights," into a destination for those seeking a vibrant downtown area and a major sports center, as well as the nation's 12th largest city by the 1990s. Indianapolis was one of the three major consolidation or merger experiences in the 1960s and 1970s. Indianapolis's specific contribution to the experiment in governance models was a city-county consolidation program that concentrated a limited or select group of urban services at the regional (defined as county) level while permitting most other critical urban services to be delivered by administrations and agencies serving different, often much smaller, areas within the county.


This report discusses the shared services implemented in Broome County, New York. This report utilized a survey conducted among elected officials as well as analysis of the cost savings mentioned. The report identifies the services most likely to be successfully shared, and specifically identifies courts, health insurance, parks and recreation, and highways as the best candidates. The report also speaks about the ideal methods of implementing and creating shared services agreements.


This newspaper article reviews the beginning of operations of a regional fire department organized by five towns in New Jersey. The article reviews some of the obstacles in achieving the regionalization, mechanisms used to overcome or reduce the obstacles, and the expected cost savings.

Somerset County Municipal Managers Association (2006). A White Paper Report: Removing the Barriers to Shared Services -- A Prescription for Creating Efficiency and Taxpayer Savings Through Local Government Shared Services. In Somerset County, the Somerset County Municipal Managers Association (SCMMA), a professional association of municipal administrators working with the Somerset County Business Partnership (SCBP), is focusing on identifying the "roadblocks" that are inhibiting municipalities from furthering shared services with other towns, the school districts and the county. Somerset County’s towns have created a model shared services network that has experienced outstanding and
unparalleled success. However, it is the belief of the SCMMA and the SCBP that the more reachable areas to facilitate sharing have been accomplished and, at this point, “all the low fruit has been picked.” The obstacles that stand before municipalities are the significant legislative barriers that inhibit bringing shared services to the next level. This white paper makes an attempt to identify the “roadblocks” and to actively push for meaningful legislation that will streamline and facilitate the expansion of shared services.


This report was commissioned by the Public Service Association of South Australia to identify some of the key lessons from shared service arrangements in Britain and Australia. The report provides an overview of the Australian experience, while an accompanying report details lessons from the British experience. Both reports are presented in the context of the South Australian Government’s deliberations regarding the introduction of a shared service model for the provision of business services to the South Australian public sector.


The delivery of shared services is seen as a significant benefit by social care managers, but is unlikely to save much money, a new survey has found. The survey of 178 public sector managers, by law firm Browne Jacobson, found those working in adult social care and children’s services were most positive about the benefits of sharing services.


Public policies addressing complex issues require trans-jurisdictional solutions, challenging hierarchical modes of public service delivery. Interlocal agreements (ILA’s) are long-established service delivery instruments for local governments, and research suggests they are plentiful, with a majority of cities and counties involved in at least one ILA. Although ILA’s are an established feature of local government operations, previous research is atheoretical, largely descriptive, and unsystematic. This article explores ILA's as social network phenomena, identifying the rationales and underlying values for various ILA's, central and peripheral actors, and brokering roles. In particular, the authors explore the utility of incorporating network exchange theory into public management network models to identify the relative power of actors in network exchange relationships. They find that a "norm of reciprocity" culture predominates an economizing value as the rationale for an abundance of service
oriented policy networks that produce a picket-fence regionalism of ILA participation in the Kansas City metropolitan area.


Inter-local agreements have long been a useful tool for municipal and county governments to increase the effectiveness and efficiency of local government services. Yet while they have a long history in practice, there is little empirical study of the nature and characteristics of ILA's, especially on a statewide basis. This paper presents results from a statewide survey of inter-local agreements in Iowa created in the period, 1993-2003. Results suggest that governments believe that their ILA's increase the effectiveness and efficiency of local services.


Local government restructuring should no longer be viewed as a simple dichotomy between private and public provision. A 1997 survey of chief elected township and county officials in New York shows that local governments use both private and public sector mechanisms to structure the market, create competition, and attain economies of scale. In addition to privatization and inter-municipal cooperation, two alternative forms of service delivery not previously researched - reverse privatization and governmental entrepreneurship - are analyzed here.


Political fragmentation in metropolitan regions makes equitable and efficient delivery of public services difficult. Regionalism, although promoted as more equitable and rational, has found limited political support. Public choice theory argues, against regionalism, that political fragmentation can promote competition and efficiency by creating markets for public services. The authors assess the efficacy of market solutions for metropolitan public service provision by comparing privatization with inter-municipal cooperation and evaluating each on efficiency, equity, and democracy grounds. Using probit regression analysis of a national survey of local government service delivery from 1992 and 1997, the authors find that both alternatives promote efficiency, but equity and voice are more associated with inter-municipal cooperation than privatization.


Using data from the ICMA surveys of alternative service delivery
arrangements of local governments from 1992 and 1997 and data on poverty and income from the U. S. Census of Population 1990, the authors explore whether local governmental use of market forms of service delivery differs by metropolitan status. The surveys measured the form of service delivery for 64 different public services in seven broad areas: public works and transportation, public utilities, public safety, health and human services, parks and recreation, culture and art, and support functions. This article assesses the distribution of privatization and inter-municipal cooperation across localities in the metropolitan region and finds them most common among suburbs.


This report focuses on shared services in the context of rural health networks. It discusses the types of shared ventures that networks typically engage in, the role network leaders can play to coordinate and broker shared services, and the issues that leaders should consider when deciding to share services.


There are a large number of multi-village water supply schemes (including regional schemes) in India. The prime motivation for setting up multi-village schemes is based on the desire to provide full water supply coverage to rural areas despite local water scarcity and increasing contamination of sources. In such circumstances, it becomes necessary to make use of distant water sources. However, treating and piping water from remote sources is often complex and expensive, and it is felt that the cost of supply can be reduced and options broadened through shared service provision.
APPENDIX B
METHODOLOGY

SPPA employed a methodology for the literature reviews that consisted of thorough searches in all of the major databases representing social and policy journals. In consultations with SPAA faculty, the research associates used the knowledge from the early stages of the research to refine and expand the search, as was appropriate. SPAA created or used the following tools to assure we accomplished the aims of the Commission:

- LUARCC questions from the RFP
- Bibliographic databases
- Search terms specific to each report
- Reference database
- Annotated bibliographies
- Articles/web resources

In the first phase of the basic strategy, SPAA devised appropriate search terms and used them to search all the relevant bibliographic databases. Promising articles were recorded as citations in the reference database (EndNote®) and the full-text article content was saved to the article file (as a PDF).

In the second phase of the search, research associates assigned to the project thoroughly examined the articles for findings that addressed LUARCC’s questions. The research associates recorded each finding in the reference database, attaching it to the question it addressed and evaluating the degree to which the article or information resource substantiated the finding. The research associates completed this substantiation, weeding out articles based solely on ideology and rating the remaining articles according to the amount of evidence or the concreteness of the argument presented. During this process, team members reported any new search terms or resources they encountered to the project librarian and project director. Subsequent searches utilized this additional information.

The supervising faculty member assigned to this project and the project director reviewed the results of the first phase of the search, which found the potential articles. When necessary, they redirected the search to clarify information or find new sources. In addition, the faculty members and project director reviewed each finding for relevance to the LUARCC questions.

SPAA sought LUARCC’s input through the review of an outline of the proposed methodology to ensure that the literature search was comprehensive and focused on the questions LUARCC raised. Because of the iterative process used in the information review, the early results of our search enhanced the project tools further.
LUARCC Questions

SPAA extracted the questions from the LUARCC RFP into a spreadsheet and distributed it to all team members assigned to the project. The research team coded each of these questions with a Question ID, using the listing in the spreadsheet. This allowed the research associate to link a finding from an article to the question it addressed using the abbreviated Question ID. The questions and Question ID are in the appendix.

Bibliographic Databases

The Bibliographic Database appendix lists all the literature and news databases and other information resources, such as websites and books that SPAA used to find relevant information for LUARCC. The researchers and the project librarian knew certain resources were more comprehensive and relevant for this project. SPAA focused on Lexis/Nexis Academic as a resource for periodicals, including newspaper articles, journal articles, and legal documents; Academic Search Premier as the best resource for academic journals; Business Source Premier as a similar resource; and Public Affairs Information Service for government reports, monographs, and articles.

Search Terms

The search within the bibliographic databases and in other resources used the following terms:

- City-county agreement or service
- Shared service
- Inter-local
- Mutual aid
- Cooperative agreement
- Outsourcing network
- Service outsourcing
- Merged departments
- Joint service
- Cooperative purchasing
- Inter-governmental agreement
- Reciprocal agreement
- Service coordinating
- Co-production
- Multi-government projects
- Joint production
- Intergovernmental coordination
- Intergovernmental partnership
- Intergovernmental association
- Intergovernmental collaboration
- Information/equipment/facilities sharing
• Purchasing/insurance pools  
• Regional planning  
• Joint meeting

The searches always used the following additional governmental terms as limiters:

• Municipality  
• Local government  
• Borough  
• Village  
• Town  
• Township  
• City  
• County  
• State

Since the search engines differ in their filter capabilities (and the Boolean logic which drives some of them), the research associates used their familiarity with literature searches to make efficient search decisions. They focused on North American articles, cross-cultural studies that included the United States, or other articles, despite their geographic origins, if they were applicable to the subjects the Commission wanted to investigate in a New Jersey context.

Winnowing the search results while casting a broad enough net is not always easy, and never automatic, as our preliminary analysis showed. The research associates, with faculty guidance, used their expertise in the content area they investigated and their experience with literature reviews as doctoral students to make the searches practical and the results comprehensive and responsive.

Reference Database – EndNote®

SPAA summarized the important information from the articles and reports found in the literature searches in EndNote®, a high-quality bibliographic software program by Thompson Reuters. As part of its work products, SPAA will provide a copy of EndNote® to LUARCC with the on-line annotated bibliography for all five projects it completed. A printed copy of the annotated bibliography for this project is Appendix A to this report.

The findings are the core of the reference database and of this project. The findings contain a brief extract from the article or a summary of a key point that links the article to LUARCC’s questions. The following information is contained with the findings to provide a quick review:
• **Question ID** – this will contain a project designation and identify the specific question addressed
• **Finding** – a brief description of the finding, conclusion or discussion
• **Cases** – if it is based on an empirical study, the number of cases that support the finding
• **Basis** – reviewer’s evaluation of the substantiation of the finding in the source on a 0 to 4 scale. If there is no basis, it is rated a 0; poor evidence, a 1; some evidence, 2; well substantiated, 3; considered a fact, 4
• **Unit** – the government unit or region cited in the finding

It is not necessary to use EndNote® to make the most of the project completed by SPAA. Rather, the working details contained in EndNote® are there to support this report.

**Library of Documents**

Each article, or an appropriate extract from the article, report, book excerpt or other research document, has been stored and will be accessible in a separate file as a Word Document or PDF. LUARCC will be able to link to it from the EndNote® reference database that SPAA will provide as a final work product. It will contain the full text of appropriate parts of the information sources found. Hence, it will allow LUARCC or its staff to review the original information that SPAA has summarized, allowing the Commissioners to be confident about their decisions as LUARCC goes forward.

**Preparing the Final Report**

SPAA used the findings in the EndNote® annotated bibliography to organize the report for each project around the questions initially specified by LUARCC in the original RFP. In preparing the report, the faculty and project director reviewed the findings, interacted with the research associates who had found and read the articles, and, when warranted to resolve any ambiguity, read the original texts. This final review generated SPAA’s conclusions in this report. In addition to this report, SPAA will provide an overall summary report for all five projects it completed.
## APPENDIX C
### RFP QUESTIONS

<table>
<thead>
<tr>
<th>RFP Question</th>
<th>Question ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are there cost or other efficiencies to be gained from the consolidation of municipal service delivery efforts across local governmental jurisdictions? Are there diseconomies of scale associated with service delivery operations over multiple jurisdictions? The commission is focusing initially on the following services: Police, Fire, Emergency Dispatch, Public Health, Public Works, Courts, Construction Code Enforcement, and Animal Control. Examine this question from the perspective of population served, population density, service area, or other measures of service delivery jurisdiction deemed relevant and appropriate in the New Jersey municipal context.</td>
<td>SS</td>
</tr>
<tr>
<td>Evaluate and rank the effect of population density (a pattern of sprawl versus compactness)</td>
<td>SS1</td>
</tr>
<tr>
<td>Evaluate and rank the effect of physical expanse of the municipality</td>
<td>SS2</td>
</tr>
<tr>
<td>Evaluate and rank the effect of demographic characteristics of the population (wealth, poverty, age characteristics, education level, demand for services)</td>
<td>SS3</td>
</tr>
<tr>
<td>Evaluate and rank the effect of character of land use (bedroom community versus heavily commercial or industrial tax base)</td>
<td>SS4</td>
</tr>
<tr>
<td>Evaluate and rank the effect of natural features (limitations on development owing to aquifers, steep slopes, other environmental sensitivities)</td>
<td>SS5</td>
</tr>
<tr>
<td>Evaluate and rank the effect of age of community and infrastructure (older industrial cities versus newer settlements on the ex-urban fringe)</td>
<td>SS6</td>
</tr>
<tr>
<td>Evaluate and rank the effect of demands on municipal services and infrastructure (seasonal peaks, bedroom community versus employment hub)</td>
<td>SS7</td>
</tr>
<tr>
<td>Evaluate and rank the effect of stress on the property tax base (high proportion of tax exempt property, land use restrictions that inhibit ratable growth)</td>
<td>SS8</td>
</tr>
<tr>
<td>What are the optimal arrangements for delivering the abovementioned services that maximize cost efficiency or achieves other benefits?</td>
<td>SS9</td>
</tr>
<tr>
<td>Identify a range of optimal arrangements depending upon municipal characteristics such as any enumerated above</td>
<td>SS10</td>
</tr>
<tr>
<td>Identify any challenges encountered in attempting to define optimal service delivery arrangements and an analysis of any difficulties encountered</td>
<td>SS11</td>
</tr>
<tr>
<td>Other variables which would be helpful for commission members to understand in attempting to identify criteria for recommending merging of services/alternative service delivery arrangements to those which currently exist</td>
<td>SS12</td>
</tr>
</tbody>
</table>
APPENDIX D
BIBLIOGRAPHIC DATABASES

Academic Search Premier
Books in Print with Reviews
Business Source Premier
Catalog of U.S. Government Publications
Conference Board Research Collection
CQ Researcher
Eagleton Poll Archive
Factiva
Gartner Research
GPO Access
Historical Statistics of the United States: Millennial Edition
Human Population & Natural Resource Management
Index to Legal Periodicals Full Text
Investext Plus
Lexis/Nexis Academic
Lexis/Nexis Statistical
National Technical Information Service
New York Times
Public Affairs Information Service - International and Archive
SA ePublications Social Science & Humanities Collection
Social Sciences Full Text
Statistics Canada's E-STAT
TV-NewsSearch: The Database of the Vanderbilt Television News Archive
Value Line Research Center
Wilson OmniFile Full Text, Mega Edition
Worldwide Political Science Abstracts

Other Information Sources

Research and Information Resources for Public Administration
Using the Political Science and Government Literature
Public Performance and Measurement Review
http://spaa.newark.rutgers.edu/sharedservice.html
SPAA's Public Performance and Reporting Network (www.ppmrn.net)