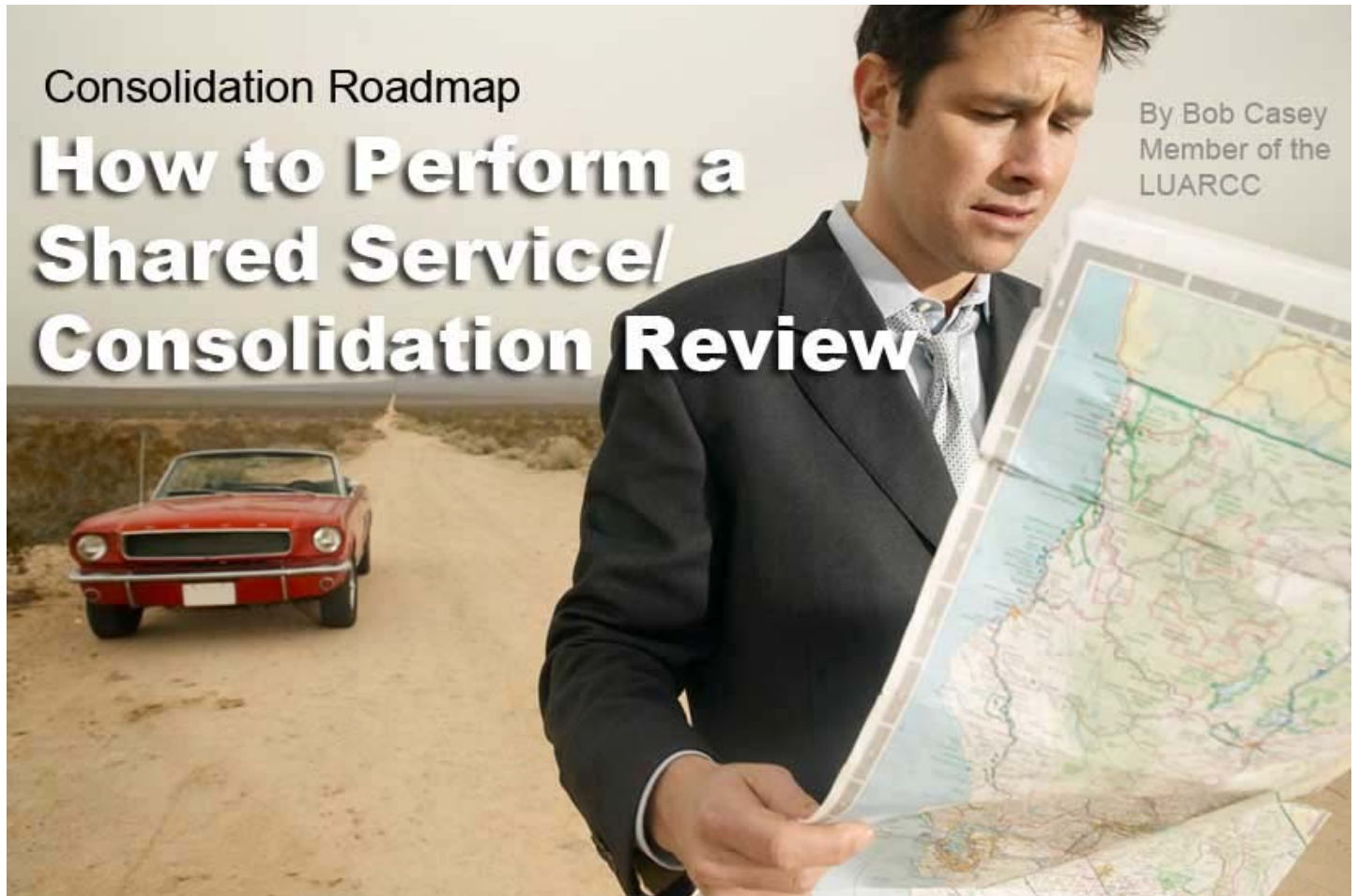


The following article was originally published in New Jersey Municipalities, Vol. 86, No. 5, May 2009, published by the NJ League of Municipalities and is reproduced with their permission. The article was authored by Robert F. Casey, a member of the LUARCC.



Consolidation Roadmap

How to Perform a Shared Service/ Consolidation Review

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In the spring of 2007, the state Legislature declared that the multitude of local government jurisdictions in New Jersey contributed to the high property tax burden suffered by New Jersey residents. Consequently, the Legislature adopted Chapter 63 of the Public Laws of 2007, which streamlined the process for consolidating municipalities and provided much greater flexibility in designing services in the newly created consolidated municipality.

This statute provides a great deal of leeway in consolidating municipalities including a number of options and alternates in how to create a new government

for the future. However, this very flexibility also makes it more difficult to determine what is best for a specific grouping of municipalities given the options in the law. This article summarizes some methodologies and processes that can be helpful in analyzing existing operations and realities possibly leading to increased sharing of municipal services or the consolidation of municipalities. A copy of the expanded “Consolidation Roadmap” article is available at NJSLOM.com under Shared Services.

STEP 1: Getting Started—Goal-Setting: the initial consensus.

The first step in the study process is to agree on the basic long term and short term goals of the study: What do you hope to accomplish in the study and any agreed implementation? Some suggested goals that may be relevant include:

1. Improved local government efficiency and effectiveness so that operations and tasks are performed with lower cost /greater benefits in the future; and/or
2. Better response to growth pressures or possible economic stagnation; and/or
3. Cost avoidance—the ability to meet pending demands in a more effective manner; and/or
4. Better delivery of services or the expansion of services to everyone (or even portions of the new municipality); and/or
5. Better utilization of skilled personnel, specialized equipment, and technology; and/or
6. Coordinated land-use, traffic, infrastructure and other area-wide decisions; and/or
7. Lower operational cost (Note that a focus solely on costs and expense issues will make the consolidation more difficult. In most consolidations there are some winners and some losers. To be successful there must be other goals to gain the necessary support for implementation).

STEP 2. Who Is to Do What, When and How

Next there must be agreement on how to go about making the study and who is to be involved in the process. It is important that those with direct concerns on any potential changes be included so that their concerns can be known and addressed. However, they must not be the overriding group in the process. There must be an equal involvement by “neutral” citizens seeking what is best for their municipality over the long term.

In any study of this magnitude, there is an inherent conflict between two competing subgoals: the need for transparency and openness in the study process versus the need for frank discussion and deliberations on some potentially controversial issues. In order to gain total insight on an issue it may be necessary to discuss the capabilities, liabilities, and assets of various people and organizations. These discussions can best be done in a confidential setting. However, citizens affected by any potential change should be able to observe

and participate in these informational/ opinion gathering meetings.

There are several options under the new and prior statutes to develop the basic organization to do the necessary studies. There is no recommended option: each must be viewed in terms of the particular circumstances of the municipalities involved. The Division of Local Government Services has published several Local Finance Notices on these options as well as a booklet outlining the original and revised statutes governing consolidation. Basically there is a formal legal process that can be used for the required study involving an independent Consolidation Study Commission (the original statute); a more flexible process involving the Local Finance Board of the State Department of Community Affairs (the 2007 revised statute); or an informal study only process to determine if the concept should proceed forward at all.

STEP 3—What Are the Existing Realities?

The next step in any program leading to change is to analyze the existing operations and realities in depth. If you do not know where you are coming from, you will never be able to determine how to improve or revise these items.

The Local Unit Alignment, Reorganization and Consolidation Commission (LUARCC) has available a detailed list of local government functions and subfunctions. You should determine which of these functions and subfunctions are done in each participating local government and how they are done. If possible, inventory the personnel resources, equipment usage, and cost for each of the categories as well as performance or output data (e.g. tons of leaves removed, tons of refuse collected, miles of roadways plowed, etc.). In addition you should also identify which functions are not provided or are provided in a less than satisfactory manner that should be included in any revised local government operation.

Once you understand each municipality's operations, discuss possible changes in these functional areas. Also review how key personnel are hoping to meet and/or gain from these changes, as well as their projections as to what they anticipate occurring in the next five years. These changes may be the outcome of anticipated municipal growth, revised state or federal regulations, or existing deficiencies that need to be addressed.

STEP 4—What Functional Comparisons Can Be Made?

Once you know what is done by each of the participating municipalities, prepare an analysis comparing this information among the participants. In this comparison, focus on the commonalities amongst the municipalities as well as the variations. Also project where the aggregate needs/operations of the participating municipalities will be in five years.

STEP 5—Understand Each of the Participating Municipalities

Before going further, there must be a good understanding of the composition of

the existing participating municipalities:

What are the key social/demographic /economic interrelationships in each of the municipalities? Is there commonality? Compatibility?

Are there existing social, educational, religious groups or employment bases that currently transcend municipal boundaries?

What would make consolidation or working together difficult?

Are there unique characteristics in any of the participating municipalities that should be preserved: Community identities, historic sites, local institutions, development profiles, etc.?

Are there recognized and agreed-upon activities/functions/deficiencies that need change and improvement? If so, list them for consideration.

Are there activities/services provided in one municipality that need to be continued in that area of any new municipality?

What are the current development patterns in each municipality and what is projected for the next five years?

What special assets must be protected in the existing municipalities such as key environmental features, commercial/employment opportunities, unique cultures?

STEP 6—What Are the Financial Realities?

What are the current financial realities of each participant municipality?

Do a five year recap of the income/ expense/surplus generation for each municipality to understand the existing financial base.

Compare assessed and equalized valuations for each municipality plus a 5-year projection for anticipated growth or decline.

Compare the six year capital budget for each municipality.

Review the financial impact of existing approved developments and anticipated developments for each municipality.

Do a debt comparison now and for each year for the next ten years for each municipality.

One of the issues that must be examined is the disposition of this existing debt. Was the debt issued for infrastructure improvements unique to one of the municipalities or does it impact on the larger consolidated community? Should each existing municipality continue to be responsible for incurred debt? Or

should all or portions of the debt be the responsibility for any consolidated government?

STEP 7—What Entity Will Be the Future Service Provider?

Given the information obtained thus far, is there consensus that the process should continue? Or should alternates to consolidation such as multiple shared service agreements or the transfer of functions to other levels of government be explored?

If the consensus is to proceed further with this study, take the information gained thus far and create a new organization to handle the desired services for the consolidated government.

Determine which functions and subfunctions are required for the new consolidated land area and population/business community (not all activities are required in all parts of the state or in all municipalities).

Determine how the functions can best be handled in this new organization. Should some of the needed functions or subfunctions be transferred to another level of government or organization?

STEP 8 What Kind of New Government Will There Be?

Given the scope and operations of the future consolidated operation, it is now necessary to consider future governance issues: what should the structure of the local government be to provide the identified services?

Political representation: wards or at large political representation?

An elected or appointed chief administrative and/or executive official?

Should the legislative function be separate from executive functions (a mayor council or municipal manager form of government) or a “Committee or Commission” type of government where an elected person serves in dual capacities?

STEP 9—What Will Be the Future Budget?

The next task is to develop a budget for the new entity. Although there may be a temptation to “start anew” for all employees and operations, this may not be practical nor legal given the employment rights of many existing employees as well as state requirements for certain tenancies. Not all prior employees and positions must remain or are protected; however the future organization can best be served by using the best of the existing talent as needed for the redefined operation.

Experiences in other consolidated operations indicate that when salaries of employees in various organizations are combined, there is a tendency to adopt

the higher of the salaries. This is sometimes referred to as the “harmonization effect.” Cost savings are created through better use of resources and technologies and a reduction in the number of the required employees (in the present or projected future) rather than the reduction of existing individual salaries.

Be aware that one of the techniques outlined in the new law is the ability to use special taxing districts for portions of the larger consolidated municipality to accomplish some of the functions unique to a segment of the new municipality.

STEP 10—Have Goals Been Met?

After having completed the study process, revisit the initial goals. Were the goals met, or should they be modified or expanded based upon the realities encountered?

STEP 11—Should Alternate Measures Be Considered?

Dramatic change is difficult, especially when the decision to change involves a large number of diverse interested parties. However change focused on specific defined functions or activities may be more readily accepted. At times, incremental change over time is the realistic compromise position for governmental agencies.

If the study indicates that consolidation of the municipal agencies is not realistic or doable, then using the information obtained, consider consolidation of specific functions or services through shared-service agreements.

Do not “throw in the towel” if you are not at first successful in making a dramatic or far-reaching change. By going through the process noted above, or even major portions of it, the information gained and the networking created can lead to overall improvements among the participating municipalities. This heightened awareness will help to achieve more of the goals initially set forth in the study process.

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