



**LFN 2020-12**

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# Local Finance Notice

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## COVID-19: Overview of Operational Strategies to Support Recovery

New Jersey remains under a COVID-19 related State of Emergency declaration, and local units continue to confront the fiscal and operational demands imposed upon them by the COVID-19 pandemic. As a result of these extraordinary conditions, local units are facing many and unprecedented challenges during this fiscal year.

The Division issues Local Finance Notice 2020-12 as a companion to Local Finance Notice 2020-11 which provides an overview of financial controls and strategic budgeting for fiscal recovery. This Notice is crafted to support local units in positioning themselves to adapt to the present circumstances and achieve long-term recovery. Items addressed in this notice include operational management and reform strategies that can be employed to increase knowledge and flexibility and prioritize needs.

As you review this Local Finance Notice, please yet again bear in mind that not every local government unit may be in a position to or be best served by implementing each of the items set forth herein. Please consult with the relevant local officers and professionals to optimize your municipality's fiscal and operational plan.

## Assessment and Prioritization of Services

As municipalities strive to maintain operations throughout the COVID-19 pandemic and the recovery period that will follow, revenue shortfalls and increased expenditures related to the pandemic are likely to affect operational capacity. To inform budget planning and operational prioritization, municipalities are encouraged to identify essential and non-essential services and the costs and revenues associated with these activities. This list will differ depending upon municipal geographic size, location, and population, but certain core essential services are likely to be consistent across the board. For example, Public Safety functions, Public Works, Administration and Finance, land use, water and sewer, and information technology are generally classified as essential services.

Celebration of public events, such as parades, festivals and fireworks are generally classified as non-essential services. Although many local units have awareness of their internal categorization of certain functions, reviewing these items with leadership during this crisis is recommended to cement consensus and inform decision-making.

### **Seeking Efficiency and Savings in the Provision of Services**

Municipalities should review, develop and implement operational plans that prioritize continuing to provide residents with high-quality essential services while identifying and implementing cost saving efficiencies to relieve budgetary pressure. Offsetting lost revenues is essential to weathering this crisis.

Departmental consolidation and staff cross-training can provide a means to meet heightened service demand without increasing costs. A few examples of areas in which consolidation and cross-training efforts can be successful include:

1. Planning and Zoning Board: Cross-training or merger can be beneficial because applications tend to involve both units.
2. UCC, Zoning and Code Enforcement: Merging administrative functions can be beneficial because processes and technology often overlap.
3. Public Works, Building & Grounds, and Public Lands: Merging these departments may improve management efficiency in the deployment of staff resources and capital. It can also yield seasonal work-related cost savings opportunities.
4. Public Works & Municipal Utilities: Economies of scale can be realized by combining these entities under Public Works. Benefits may include reducing understaffing, improving prioritization of staff deployment, particularly during emergencies, and achieving procurement and capital equipment savings.
5. Fire and Emergency Medical Services: Training fire personnel as EMS can result in cost savings and improve response times in certain communities.
6. Municipal Clerk and Registrar of Vital Statistics: Cross-training staff to perform these functions ensures that personnel are available to process permits, licenses and vital records during business hours, and improves coverage during spikes in demand in either unit.

Shifting the provision of certain services and operations to the county or regional level may avoid the duplication of services and produce cost savings and improve services through economies of scale. Health services, animal control, dispatch, and senior or disabled transportation programs are examples of this trend that have already been successful in some New Jersey communities. Where a particular category of service may derive benefits from centralized procurement, standardized protocols and access, improved capital capacity, and anticipated variability in

demand and staff coverage, consideration of consolidation or regionalization opportunities is appropriate.

Similarly, shared services can provide a variety of benefits from availing local units of supplemental coverage during emergencies under a mutual aid or “back-up” agreement, to equipment sharing, to statutory position sharing or sharing an entire department. Existing unutilized shared services reports may provide a template for achieving efficiencies today. All reasonable options should be considered as a means to maintain existing services at a lower cost or enhance services at a similar cost.

More specifically, municipalities may want to consider establishing temporary shared services with neighboring local units during this health crisis. It is becoming increasingly common for a local unit to experience the quarantine of an entire office for a period of weeks following a staff person’s exposure. Arranging for emergency coverage through a neighboring local unit in advance can avoid an operational crisis should this occur. Many positions, including clerks, engineers, code enforcement or fire officials, and public safety departments may be able to establish mutual aid or shared services arrangements now to avoid a loss of essential services or incurring substantial expenses should the need to replace these services arise unexpectedly. During periods of severe fiscal constraint and operational uncertainty, identifying partners with whom your local unit has a comfort level and shared knowledge is an important part of providing essential services at a sustainable cost.

Finally, local units may find value in the implementation of technology-based accountability programs to support in COVID-19 operational continuity efforts. These programs expedite the transfer of information between the public, governing body, and operational units within the local unit. Social distancing and remote work increase the barriers to direct communication, while the need for rapid response and adaptation are omnipresent. A performance platform can provide a viable means of identifying community needs and providing redress without face-to-face interaction. The speed and accountability these platforms offer when used effectively can strengthen management’s performance and improve community relations.

### **Reducing Costs to Reflect Curtailed Spending Capacity**

Many municipalities are already operating at reduced staffing levels and with lean budgets due to the economic strictures necessitated by the 2008 financial crisis and Superstorm Sandy. As such, the Division understands that the concept of “doing more with less” can seem tone deaf to local units now facing the unenviable reality of doing less with less while striving to protect their residents and taxpayers from the worst effects of the COVID-19 crisis. Absent greater than anticipated levels of federal aid, this reality may be widespread, so we recommend that municipalities review the cost of services deemed non-essential and determine if the services can be done less expensively or if they can be temporarily suspended.

Publicly funded celebrations including fireworks, parades, festivals, and holiday events may be ripe for sponsorship. If not, scaling back or cancelling community events may prove necessary. Recreation is another area in which sponsorship and user-fees should be considered. Achieving self-funding or partially subsidized programs through these mechanisms can preserve a vital

community resource while curbing the level of municipal expenditure required. Similarly, volunteer groups may be available to support arts, culture, and museum activities, while business or corporate sponsorship and private events can reduce the cost of operating some of the attendant facilities and programs. Other ordinance fees may also be available to support prioritized community activities, but should only be used to support non-essential services once essential services are fully funded.

### **Elected Officials and Management Not Eligible for Overtime Pay**

The Division appreciates that mayors, elected officials, and their senior advisors and managers are working hard without any additional pay or compensation during this event. While not a necessary reminder for the vast majority of such officials who selflessly give of their time and would not think of seeking to be reimbursed for the efforts they put in on behalf of their communities, the Division wishes to remind everyone that under no circumstances should elected officials or senior management seek reimbursement for overtime. Exempt personnel are just that, exempt. More importantly, all resources will need to be committed to supporting legitimate costs associated with this event, including required overtime for rank and file first responders and essential activities.

If you have any questions concerning these practices, please contact the Local Assistance Bureau at 609-292-6858 or by e-mail at [localassistance@dca.nj.gov](mailto:localassistance@dca.nj.gov).

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Approved: Melanie R. Walter, Director