



SHARED SERVICES–WORKING TOGETHER

A Guide to Joint Service Feasibility Studies & Shared Service Agreements

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INTRODUCTION

Local officials are finding themselves hard pressed to maintain essential services during a time of economic retrenchment and taxpayer resistance to any increase in the costs of government.

An alternative lies in the sharing of services and their costs. Shared Services offer an opportunity to provide services while maximizing the use of valuable tax dollars. By sharing resources, communities may be able to maintain service levels without increasing costs or initiate new services which were previously too costly.

The development of a successful program requires the commitment and the cooperation of all participants. This booklet describes the steps necessary to evaluate potential shared projects and to establish a shared service agreement. It begins with A GUIDE TO JOINT FEASIBILITY STUDIES and concludes with some elements to consider in IMPLEMENTING SHARED SERVICES.

The booklet is a companion volume to the Division's publication, "Shared Services: A Reference Guide to the Delivery of Joint Services," which contains selected statutes relating to the shared provision of services.

If there are any questions about this publication or the shared services process, please contact:

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PART I - A GUIDE TO JOINT SERVICE FEASIBILITY STUDIES

Feasibility studies for joint services do not have to be lengthy, complicated documents. This part of the booklet helps you review potential joint services and guides you through the process of planning to act together. There is no mystery to a feasibility study. It needs to address basic questions with the necessary amount of detail. Common sense is the most important ability in conducting a feasibility study.

The following pages outline a feasibility study. Because it is a general guide the outline covers greater detail than your study may require. Not every item applies to every study. Choose those elements which pertain to your study.

The first step is for each local unit to designate someone to be responsible for its contribution to the study. In making this assignment, the governing body must emphasize the importance of the study and the need for its timely completion. It should be a priority assignment.

Each coordinator should follow the same format and work to an agreed upon schedule. Periodic meetings of all the coordinators are needed to keep everyone on the same track and to review preliminary information. This will keep the study moving and on target.

Public input should be considered at the initiation of the study process. This could be in the form of public hearings or through the appointment of citizen members to the study team.

The completed feasibility study serves as a plan to implement the joint service. It is the basis for policy decisions by the local governing bodies and an integral part of the shared service agreement that puts the joint service into effect.

1. ESTABLISH A CLEAR GOAL FOR THE JOINT SERVICE.

DESCRIBE THE SERVICE TO BE PROVIDED

- Identify what service is to be provided on a cooperative basis.
- Clearly define what aspects of the service will remain the individual responsibilities of the participants.
- State any requirements which must be addressed by the joint service.

CLARIFY EXPECTATIONS ABOUT THE JOINT SERVICE

- What does your community hope to gain by participating in the joint program?
 - Cost savings?
 - Improved level of service?
 - Establish a previously unavailable service?
 - Greater efficiency of service operations?
- Describe what criteria will be used to measure the quality of services provided or the effectiveness of the joint service.

ARE ALL POTENTIAL PARTICIPANTS INCLUDED IN THE STUDY?

- Have all local units which could benefit from the joint service been included in the study? If not, why?
- Will the establishment of a joint service inadvertently have an adverse effect on a non-participating community?

2. FOR AN EXISTING SERVICE, DESCRIBE THE LEVEL OF SERVICE CURRENTLY BEING PROVIDED BY EACH LOCAL UNIT THAT WILL PARTICIPATE IN THE JOINT SERVICE.

DESCRIBE HOW THE SERVICE IS CURRENTLY PROVIDED

- For each participant, describe how it presently provides the service or accomplishes the task.
- What department, division, etc. of the local unit provides the service? Describe how the local unit is organized to perform the function. Include a table of organization showing the structure of the agency.
- Who is responsible for what aspects of the service? Identify positions, titles, and responsibilities, including lines of authority, etc.
- Identify any equipment, vehicles or special material which may be required.
- Identify the physical facilities used or required to provide the service.

DESCRIBE THE LEVEL OF SERVICE PRESENTLY BEING PROVIDED

- Identify the service and the level of service presently being provided by each participant. Use quantifiable measures whenever possible. For example: the number of residential trash pick-ups per truck per day, or the number of patrolmen per shift, etc.

DOES THE SERVICE MEET CURRENT NEEDS?

- Is the current level of service adequate for present needs? Describe any shortfall or surplus in services provided.

WHAT ARE THE FUTURE SERVICE NEEDS?

- Project the level of service to be required for the next two to five years. Will it increase or decrease? What factors are known that will affect the demand for the service? For example: will a new shopping center affect the level of police or fire protection needed?

3. DETERMINE EACH PARTICIPANT'S COST OF PROVIDING THE EXISTING OR NEW SERVICE.

TOTAL COST FOR EACH LOCAL UNIT

- List the current budget (operating and capital, if any) for providing the service. Include all costs, particularly those which may be carried elsewhere in the municipal budget.
- Using the service units developed in Section 2, determine the total cost to each local unit to provide the present level of service to its residents. Include all direct and indirect costs taking in account where applicable salaries, benefits, equipment, overhead, rent, materials and supplies.

WHAT IS NEEDED TO MEET MINIMUM SERVICE LEVELS?

- If a local unit's present service level is inadequate, identify what would be required (in budget dollars, additional staff, operating equipment, etc.), to bring the services up to the minimum acceptable level.
- If the service is not provided at all, develop the costs which would be required to meet the minimum service level if the local unit were to provide the service on an individual basis.

PROJECTED SERVICE COST

- Using the projected service demands developed in Section 2, estimate the total cost to each local unit if it were to provide the service on its own for the next two to five years.

4. DESCRIBE HOW THE SERVICE IS TO BE PROVIDED ON A JOINT BASIS

DETERMINE SERVICE LEVELS REQUIRED

- Using the data from the previous sections, determine the current service needs and the required levels of service for all study participants.

FIX RESPONSIBILITY FOR PROVIDING THE SERVICE

- Based on the required services and the current capabilities of the participants, determine which local unit is best suited to provide the service to the other(s). If participants will perform a portion of the total program, identify the responsibilities of each. Describe how the provision of the joint service would be organized and administered.
- Identify with necessary detail, the following:
 - Identify the service to be provided. Discuss how it will be provided to the residents of the participating local units. Identify which participant is responsible for what specific aspects of the service. Indicate who (which office or department) is responsible for providing the service.

- Establish the administrative structure for the joint service. Which department will be responsible for providing the service? Determine the staffing level required, the number of employees, supervisors, clerical, support staff, etc. Determine the salary and benefits costs using the current wages of the service provider. Is there a need for all current employees of the participants or will some be available for other assignments?
- Determine the type and amount of equipment required. What use can be made of the existing equipment and facilities of the participants? Identify additional equipment or supplies required.
- What facilities are required? Where should they be located? Who will be responsible for operating and maintenance requirements? Will any existing facilities become surplus or available for other use?

IDENTIFY POTENTIAL PROBLEM AREAS

- If policy or operational problems can be anticipated, identify them. For example: will Civil Service status be an issue? If employees are to be reassigned, what impact will this have? Do current labor agreements or contracts affect the ability to implement the joint program?

5. DETERMINE THE TOTAL COST OF THE JOINT SERVICE AND EACH PARTICIPANT'S COST.

TOTAL COST OF THE SERVICE STRUCTURE

- Using the current cost data determine the total cost of providing the service on a joint basis as developed in Section 4. Include all direct and indirect costs.

COST OF THE SERVICE TO EACH PARTICIPANT

- Determine the service level provided to each participant, and develop an objective, quantifiable basis for calculating the annual cost of such service for each participant. If participants will provide equipment or material from their current service programs, include the costs of these "in-kind" contributions.

MEASURE THE SERVICE TO EACH PARTICIPANT

- Describe the criteria to be used to measure the amount of service provided to each participant. Describe the criteria to be used to measure the quality or effectiveness of the service program.

6. DOES THE PROPOSED INTERLOCAL SERVICE MEET THE ESTABLISHED GOALS?

EXAMPLES:

- Reduction of service costs for participants
- Improved levels of service for participants
- Services provided which would otherwise be unavailable

7. ASSESS THE ECONOMIC, ADMINISTRATIVE AND OPERATIONAL FEASIBILITY OF PERFORMING THE SERVICE ON A JOINT BASIS

ECONOMIC FEASIBILITY

- Compare each participant's individual cost of providing the current service level to the anticipated cost of the proposed joint program. Is it economically feasible? If costs are higher than present, is the service level improved sufficiently to justify the joint effort?

OPERATIONAL AND ADMINISTRATIVE FEASIBILITY

- Will the operational aspects of the proposed joint program deliver the service effectively and efficiently? Have all administrative matters been addressed to the satisfaction of the participants?
- What will be the public reaction to the joint provision of the service? What provision has been made for the residents to express their views?

PART II - IMPLEMENTING SHARED SERVICES

Pragmatism has a place in local government. Those who fail to follow this dictum may soon realize that some financial, political, or legal difficulty could have been avoided if certain facts had been considered.

The first Section addresses questions that should be considered prior to developing a shared service agreement. These questions fall into four areas:

- Legal Considerations
- Cost
- Public Reaction and Policy Issues
- Assessing Resources

Next, the steps in negotiating a shared service agreement are identified. When the decision is made to formally collaborate, the contract specifying the role and responsibilities of all the participating governmental entities needs to be drafted. It will be unique to the specific situation and requires attention to detail.

Section III identifies some of the potential elements found in a shared services agreement. The details of the agreement are as important to the success of the activity as is the feasibility study.

SECTION I: QUESTIONS TO BE ANSWERED

1. LEGAL CONSIDERATIONS

The State encourages its political subdivisions to cooperate. This is evidenced by the numerous statutes authorizing shared service cooperation. These range from the broad authorization of the Shared Services and Consolidation Act to laws permitting joint action on local planning (See Appendix). After ensuring that there is specific authority for the proposed joint service, the next area of concern is the participant's level. The following questions may serve as a guide to the type of information needed prior to the negotiation of a shared services agreement.

- Are there any local ordinances that might affect an agreement for shared services?
- Have you considered procedures or requirements for the hiring, release, or change of status of personnel affected by the agreement?
- What about issues including liability, damages, allowable overhead costs, equipment and property disposition at the termination of the agreement?
- Are there procedures for amending and monitoring the agreement?
- Under what conditions or circumstances can the agreement be terminated?
- Does the proposed activity require the review and/or approval by another local or State agency? (Autonomous local authorities, boards and commissions created by and within a single local unit require the approval of that local unit to enter into a shared services agreement.)

2. COST

The costs of implementing the shared services agreement are of primary concern to all participants and their residents. There is always the potential that initial costs may increase until the service or activity is well established. All the possibilities should be thoroughly considered by all the parties to the agreement. Questions to be considered are:

- What are the personnel, operating and capital costs of the service to be provided?
- What provisions should be made to accommodate inflationary costs?
- If costs paid by the recipient(s) do not cover actual costs, what method can be used for adjustment?
- What administrative costs should be part of the “cost of services?”
- Should overhead costs include depreciation of assets, rent, utilities, and liability insurance?
- What is an acceptable method of determining costs and payments?

- Will the costs be affected by additional participants?
- Is it cost-effective to join with other governmental units to provide the service? If costs are higher than present, is the service level improved sufficiently to justify the joint effort?

3. PUBLIC REACTION AND POLICY ISSUES

Politics is a part of any inter-governmental agreement. Citizen reaction and confidence must be assessed in all the participating jurisdictions.

- What will be the public reaction to the agreement in both the provider and recipient jurisdictions?
- How will you deal with the residents who object to services being provided by a different agency?
- To which jurisdiction would citizens complain about the service -- the provider or the recipient? How will complaints be addressed?
- Do the participating jurisdictions understand that the provider may have to assume some policy control over the service?
- What problems may arise during the transition of independent to shared provision of services? Is there a mechanism to resolve the issues?
- How will the shared provision of services affect local businesses?
- Is it necessary to make provisions to accommodate additional members?

4. ASSESSING RESOURCES

- The impact of a shared services agreement on local resources should be considered.
- What changes might be needed to provide service, including – personnel, facilities, equipment, organization or structural arrangements and fiscal procedures?
- Does the potential provider of the service have the capacity to provide the service at the anticipated level of service?
- Will the present recipients of the service be shortchanged?
- What impact will the shared services agreement have on current staff?
- Can present personnel and facilities be reallocated? Relocated?
- Will the salaries of personnel be affected by the arrangement?
- How will the shared service agreement affect and be affected by local labor agreements?

SECTION II: STEPS IN NEGOTIATING A SHARED SERVICES AGREEMENT

The decision as to whether to enter into a shared services agreement should come as the final step in the comprehensive evaluation process. Following a clear, logical progression in arriving at the threshold question will ensure that the agreement covers the plan of operation satisfactorily and address the concerns of all the participants. It is essential that all the "I's" be dotted, and all the "T's" crossed.

As outlined in Part I of this guide, the first step is to conduct a feasibility study to determine whether the performance of the function or service with another unit of local government is the most economical or desirable course of action. Develop a proposed plan of operations which details how the service or function will be provided on a joint or contractual basis.

Using the feasibility study as a guide:

- a. Begin negotiations between the parties considering the joint venture to identify the terms and conditions of the agreement.
- b. Prepare the preliminary agreement, including all matters agreed upon and providing necessary legal safeguards for all parties concerned.
- c. Perform a legal and substantive review of the preliminary agreement.
- d. Hold a public hearing in each community to assess citizen feelings and concerns regarding the proposed shared services agreement and the plan of operations.
- e. Finalize any outstanding issues and reach a consensus on the terms and conditions in the final agreement.
- f. Adopt an ordinance or resolution in each jurisdiction approving execution of the agreement and authorizing the appropriate officials to sign it on behalf of the governmental unit.
- g. Execute the agreement and provide copies to all parties.
- h. Implement the program as described in the agreement.
- i. Evaluate the performance of the service on a regular basis.
- j. Make modifications as necessary.

SECTION III: PARTS OF A SHARED SERVICES AGREEMENT

A shared services agreement sets forth the roles and responsibilities of the participating local governments. It details the "who," "what," "when" and "where" of the service or activity to be undertaken and provided. The following is a generalized outline of elements which might be reflected in a shared services agreement. Refer also to N.J.S.A. 40A:65-4 and 5 for the statutory requirements regarding the content and approval of a shared services agreement.

1. Nature of the arrangement
 - a. Description of parties involved
 - b. Explanation of need for agreement
 - c. Citation of legal authority
 - d. Definition of terms
2. Exact nature and extent of services to be performed
 - a. Measurable performance standards
 - b. Specific assignment of responsibility
3. Service charges or formula
 - a. "Start-up" and in-kind contributions
 - b. Salaries and employee benefits
 - c. Depreciation of equipment
 - d. Overhead
 - e. Office supplies
 - f. Clerical work (support services)
 - g. Capital expenditures
 - h. Cost modification procedures
4. Administration
 - a. Unit(s) responsible for services
 - b. Control over responsible units
 - c. Citizen inquiries and complaint resolution
 - d. Addition of new participants
 - e. Liability issues and responsibility
5. Fiscal Procedures
 - a. Budgets, including distribution of activity revenues
 - b. Manner and time of payments Reports and records
 - c. Maintenance

6. Staffing and Personnel
 - a. Procedures
 - b. Terms
 - c. Utilization of personnel
 - d. Safeguards for Civil Service rights, privileges, immunities, and fringe benefits.
7. Property Arrangements
 - a. Use, control, and maintenance of facilities
8. Monitoring and Evaluation
 - a. Evaluation schedule
9. Duration
 - a. Length of service agreement
 - b. Amendment
 - c. Arbitration
 - d. Resolution
 - e. Termination

APPENDIX

N.J.S.A. 40A:65-1 through 35 is known as the “Uniform Shared Services and Consolidation Act” (the “Act”). The Act provides a broad description and authorization to local government agencies for the sharing or consolidation of agency services.

WHO MAY PARTICIPATE?

Two or more local units of government. any combination of:

- Municipality
- School District
- Regional Authority or District
- Local Authority, Board, Commission or District (with the consent of the creating local unit)

ELIGIBLE ACTIVITIES

- General government administration
- Health, police, and fire protection
- Code enforcement
- Assessment and collection of taxes
- Financial administration
- Environmental services
- Joint municipal courts
- Youth, Senior Citizen, welfare, and social service programs

The Act also allows two or more local units to create a joint meeting, regional services agency for public services (see N.J.S.A. 40A:65-14)

WHO MAY PARTICIPATE?

Any combination of two or more counties or municipalities

ELIGIBLE ACTIVITIES

- General government administration
- Health, police, and fire protection
- Code enforcement
- Assessment and collection of taxes
- Financial administration
- Environmental protection
- Joint municipal courts
- Youth, Senior Citizen. welfare and social service programs

There are also statutes which authorize joint action for a particular service or purpose. Consult with your local attorney to determine the appropriate enabling statute to use in such cases.